TEMPLETON EMERGING MARKETS INCOME FUND
Form N-Q
July 27, 2007

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF
REGISTERED MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number 811-07866

Templeton Emerging Markets Income Fund
(Exact name of registrant as specified in charter)

500 East Broward Blvd., Suite 2100, Fort Lauderdale, FL 33394-3091
(Address of principal executive offices) (Zip code)

Craig S. Tyle, One Franklin Parkway, San Mateo, CA 94403-1906
(Name and address of agent for service)

Registrant's telephone number, including area code: 954/527-7500

Date of fiscal year end: 8/31

Date of reporting period: 05/31/07

Item 1. Schedule of Investments.

Templeton Emerging Markets Income Fund

QUARTERLY STATEMENT OF INVESTMENTS
MAY 31, 2007

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[LOGO](R)
FRANKLIN TEMPLETON
INVESTMENTS

Franklin o TEMPLETON o Mutual Series

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Templeton Emerging Markets Income Fund

STATEMENT OF INVESTMENTS, MAY 31, 2007 (UNAUDITED)

	PRINCIPAL AMOUNT a
BONDS 94.7%	
ARGENTINA 12.0%	
Government of Argentina,	
b,c FRN, 5.475%, 8/03/12	107,145,000
d GDP Linked Security, 12/15/35	75,000,000
BOSNIA AND HERZEGOVINA 1.7%	
c Government of Bosnia & Herzegovina, FRN, 3.50%, 12/11/17	11,020,835
BRAZIL 20.3%	
Government of Brazil,	
7.875%, 3/07/15	1,275,000
8.00%, 1/15/18	61,615,000
c FRN, 11.10%, 6/29/09	2,900,000
Nota Do Tesouro Nacional,	
9.762%, 1/01/12	77,000 e
9.762%, 1/01/14	20,000 e
9.762%, 1/01/17	35,000 e
f Index Linked, 6.00%, 11/15/09	5,100 e
f Index Linked, 6.00%, 5/15/15	5,600 e
COLOMBIA 0.8%	
Government of Colombia, 11.75%, 2/25/20	4,255,000
EL SALVADOR 0.4%	
g Government of El Salvador, 144A, 7.65%, 6/15/35	2,650,000
FIJI 0.8%	
Republic of Fiji, 6.875%, 9/13/11	5,880,000
INDONESIA 13.5%	
Government of Indonesia,	
14.25%, 6/15/13	209,282,000,000
14.275%, 12/15/13	166,215,000,000
11.00%, 10/15/14	120,832,000,000
9.50%, 6/15/15	9,450,000,000
10.75%, 5/15/16	26,870,000,000
10.00%, 7/15/17	18,800,000,000
11.50%, 9/15/19	40,000,000,000
11.00%, 11/15/20	132,050,000,000
12.90%, 6/15/22	2,000,000,000
12.00%, 9/15/26	7,850,000,000
IRAQ 4.4%	

g Government of Iraq, 144A, 5.80%, 1/15/28	50,575,000
MALAYSIA 0.6%	
Government of Malaysia,	
3.569%, 2/14/08	2,230,000
3.17%, 5/15/08	9,410,000
6.45%, 7/01/08	1,560,000
7.00%, 3/15/09	1,660,000

Templeton Emerging Markets Income Fund

STATEMENT OF INVESTMENTS, MAY 31, 2007 (UNAUDITED) (CONTINUED)

	PRINCIPAL AMOUNT a
BONDS (CONTINUED)	
MEXICO 4.3%	
Government of Mexico,	
8.00%, 12/17/15	1,775,000 h
10.00%, 12/05/24	1,315,000 h
NETHERLANDS 2.0%	
Rabobank Nederland, senior note, 8.75%, 1/24/17	157,900,000
PAKISTAN 2.0%	
g,i Government of Pakistan, 144A, 6.875%, 6/01/17	15,000,000
PANAMA 0.9%	
Government of Panama, 6.70%, 1/26/36	6,639,000
PERU 5.1%	
Government of Peru,	
9.875%, 2/06/15	4,255,000
7.35%, 7/21/25	10,520,000
8.75%, 11/21/33	12,550,000
g Peru Enhanced Pass-Through Finance Ltd., senior secured bond, A-1, 144A, zero cpn., 5/31/18	4,764,000
PHILIPPINES 4.2%	
Government of the Philippines,	
9.00%, 2/15/13	21,460,000
8.875%, 3/17/15	1,650,000
j Reg S, 8.75%, 10/07/16	3,750,000

POLAND 2.5%	
Government of Poland,	
6.00%, 5/24/09	32,600,000
6.25%, 10/24/15	15,380,000
5.75%, 9/23/22	2,000,000
RUSSIA 8.1%	
j Aries Vermogen, Reg S, 9.60%, 10/25/14	24,000,000
j Government of Russia,	
Reg S, 11.00%, 7/24/18	12,670,000
Reg S, 12.75%, 6/24/28	6,566,000
SOUTH KOREA 1.5%	
Korea Treasury Note,	
4.75%, 3/12/08	3,965,000,000
4.25%, 9/10/08	6,476,680,000
k SUPRANATIONAL 4.5%	
Inter-American Development Bank, senior note, 7.50%, 12/05/24	355,000,000

Templeton Emerging Markets Income Fund

STATEMENT OF INVESTMENTS, MAY 31, 2007 (UNAUDITED) (CONTINUED)

	PRINCIPAL AMOUNT a
BONDS (CONTINUED)	
THAILAND 1.6%	
Bank of Thailand Bond,	
5.00%, 1/12/08	31,460,000 T
5.50%, 8/10/08	51,970,000 T
Government of Thailand,	
4.125%, 2/12/08	98,000,000 T
8.50%, 12/08/08	11,000,000 T
4.80%, 4/09/10	212,000,000 T
UKRAINE 3.4%	
g Government of the Ukraine, 144A,	
7.65%, 6/11/13	11,948,000
c FRN, 8.775%, 8/05/09	11,660,000

	VIETNAM 0.1%	
c	Government of Vietnam, FRN, 6.25%, 3/12/16	854,609
	TOTAL BONDS (COST $627,711,531)	
	SHORT TERM INVESTMENTS 5.1%	
	FOREIGN GOVERNMENT AND AGENCY SECURITIES 3.5%	
	EGYPT 1.7%	
l	Egypt Certificate of Deposit, 9/12/07	2,000,000 E
l	Egypt Treasury Bills, 6/19/07 - 1/08/08	68,825,000 E
	MALAYSIA 1.0%	
l	Malaysia Treasury Bills, 11/01/07 - 12/21/07	26,350,000 M
	THAILAND 0.8%	
l	Thailand Treasury Bills, 12/06/07 - 1/10/08	208,565,000 T
	TOTAL FOREIGN GOVERNMENT AND AGENCY SECURITIES (COST $25,293,233)	
	TOTAL INVESTMENTS BEFORE MONEY MARKET FUND (COST $653,004,764)	
		SHARES
	MONEY MARKET FUND (COST $12,042,214) 1.6%	
	UNITED STATES 1.6%	
m	Franklin Institutional Fiduciary Trust Money Market Portfolio, 4.83%	12,042,214

Templeton Emerging Markets Income Fund

STATEMENT OF INVESTMENTS, MAY 31, 2007 (UNAUDITED) (CONTINUED)

	VALUE
TOTAL INVESTMENTS (COST $665,046,978) 99.8%	$ 741,076,192
NET UNREALIZED LOSS ON FORWARD EXCHANGE CONTRACTS (0.2)% ...	(1,361,627)
OTHER ASSETS, LESS LIABILITIES 0.4%	2,653,579
NET ASSETS 100.0%	$ 742,368,144

CURRENCY ABBREVIATIONS

BRL - Brazilian Real
EGP - Egyptian Pound

EUR - Euro
IDR - Indonesian Rupiah
KRW - South Korean Won
MXN - Mexican Peso
MYR - Malaysian Ringgit
PLN - Polish Zloty
THB - Thailand Baht

SELECTED PORTFOLIO ABBREVIATIONS

FRN - Floating Rate Note
GDP - Gross Domestic Product

a The principal amount is stated in U.S. dollars unless otherwise indicated.

b The principal amount is stated in original face, and scheduled paydowns are reflected in the market price on ex-date.

c The coupon rate shown represents the rate at period end.

d Securities are linked to the Argentine GDP and do not pay principal over the life of the security or at expiration. Securities entitle the holder to receive only variable income payments, subject to certain conditions, which are based on growth of the Argentine GDP and the principal or "notional" value of these GDP linked securities.

e Principal amount is stated in 1,000 Brazilian Real Units.

f Redemption price at maturity is adjusted for inflation.

g Security was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be sold in transactions exempt from registration only to qualified institutional buyers or in a public offering registered under the Securities Act of 1933. These securities have been deemed liquid under guidelines approved by the Fund's Board of Trustees. At May 31, 2007, the aggregate value of these securities was $78,917,483, representing 10.63% of net assets.

h Principal amount is stated in 100 Mexican Peso Units.

i Security purchased on a when-issued or delayed delivery basis

j Security was purchased pursuant to Regulation S under the Securities Act of 1933, which exempts from registration securities offered and sold outside of the United States. Such a security cannot be sold in the United States without either an effective registration statement filed pursuant to the Securities Act of 1933, or pursuant to an exemption from registration. These securities have been deemed liquid under guidelines approved by the Fund's Board of Trustees. At May 31, 2007, the aggregate value of these securities was $64,547,658, representing 8.69% of net assets.

k A supranational organization is an entity formed by two or more central governments through international treaties.

l The security is traded on a discount basis with no stated coupon rate.

m The Franklin Institutional Fiduciary Trust Money Market Portfolio is managed by the Fund's investment manager. The rate shown is the annualized seven-day yield at period end.

Templeton Emerging Markets Income Fund

NOTES TO STATEMENT OF INVESTMENTS (UNAUDITED)

1. ORGANIZATION

Templeton Emerging Markets Income Fund (the Fund) is registered under the Investment Company Act of 1940, as amended, as a non-diversified, closed-end investment company.

2. SECURITY VALUATION

Securities listed on a securities exchange or on the NASDAQ National Market System are valued at the last quoted sale price or the official closing price of the day, respectively. Over-the-counter securities and listed securities for which there is no reported sale are valued within the range of the most recent quoted bid and ask prices. Securities that trade in multiple markets or on multiple exchanges are valued according to the broadest and most representative market. Investments in open-end mutual funds are valued at the closing net asset value.

Corporate debt securities and government securities generally trade in the over-the-counter market rather than on a securities exchange. The Fund may utilize independent pricing services, quotations from bond dealers, and information with respect to bond and note transactions, to assist in determining a current market value for each security. The Fund's pricing services may use valuation models or matrix pricing which considers information with respect to comparable bond and note transactions, quotations from bond dealers, or by reference to other securities that are considered comparable in such characteristics as rating, interest rate and maturity date, option adjusted spread models, prepayment projections, interest rate spreads and yield curves, to determine current value.

The Fund has procedures to determine the fair value of individual securities and other assets for which market prices are not readily available or which may not be reliably priced. Methods for valuing these securities may include: fundamental analysis, matrix pricing, discounts from market prices of similar securities, or discounts applied due to the nature and duration of restrictions on the disposition of the securities. Due to the inherent uncertainty of valuations of such securities, the fair values may differ significantly from the values that would have been used had a ready market for such investments existed. Occasionally, events occur between the time at which trading in a security is completed and the close of the NYSE that might call into question the availability (including the reliability) of the value of a portfolio security held by the Fund. If such an event occurs, the securities may be valued using fair value procedures, which may include the use of independent pricing services. All security valuation procedures are approved by the Fund's Board of Trustees.

NOTES TO STATEMENT OF INVESTMENTS (UNAUDITED) (CONTINUED)

3. INCOME TAXES

At May 31, 2007, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

Cost of investments	$ 670,821,565
Unrealized appreciation	$ 74,210,994
Unrealized depreciation	(3,956,367)
Net unrealized appreciation (depreciation)	$ 70,254,627

4. FORWARD EXCHANGE CONTRACTS

At May 31, 2007, the Fund had the following forward exchange contracts outstanding:

		CONTRACT AMOUNT	SETTLEMENT DATE	UNREALIZED GAIN	UNREALIZED LOSS
CONTRACTS TO SELL					
61,513,239	Mexican Peso	5,568,321	8/16/07	$ --	$ (133,513)
42,706,994	Mexican Peso	3,882,807	8/20/07	--	(74,907)
69,355,929	Mexican Peso	6,287,081	8/21/07	--	(139,853)
34,649,958	Mexican Peso	3,081,914	9/12/07	--	(124,558)
13,012,157	Mexican Peso	1,153,918	9/14/07	--	(50,057)
74,700,583	Mexican Peso	6,663,151	11/26/07	--	(216,116)
40,428,962	Mexican Peso	3,603,455	1/25/08	--	(104,995)
167,925,352	Mexican Peso	15,000,031	5/06/08	--	(298,233)
345,894,250	Mexican Peso	31,260,212	5/21/08	--	(219,395)
NET UNREALIZED LOSS ON FORWARD EXCHANGE CONTRACTS				$ --	$ (1,361,627)

For information on the Fund's policy regarding other significant accounting policies, please refer to the Fund's most recent semiannual or annual shareholder report.

Item 2. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures. The Registrant maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Registrant's filings under the Securities Exchange Act of 1934 and the Investment Company Act of 1940 is recorded, processed, summarized and reported within the periods specified in the rules and forms of the Securities and Exchange Commission. Such information is accumulated and communicated to the Registrant's management, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. The Registrant's management, including the principal executive officer and the principal financial officer, recognizes that any set of controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

Within 90 days prior to the filing date of this Quarterly Schedule of Portfolio Holdings on Form N-Q, the Registrant had carried out an evaluation, under the supervision and with the participation of the Registrant's management, including the Registrant's principal executive officer and the Registrant's principal financial officer, of the effectiveness of the design and operation of the Registrant's disclosure controls and procedures. Based on such evaluation, the Registrant's principal executive officer and principal financial officer concluded that the Registrant's disclosure controls and procedures are effective.

(b) Changes in Internal Controls. There have been no significant changes in the Registrant's internal controls or in other factors that could significantly affect the internal controls subsequent to the date of their evaluation in connection with the preparation of this Quarterly Schedule of Portfolio Holdings on Form N-Q.

Item 3. Exhibits.

(a) Certification pursuant to Section 30a-2 under the Investment Company Act of 1940 of Jimmy D. Gambill, Chief Executive Officer - Finance and Administration, and Galen G. Vetter, Chief Financial Officer.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Templeton Emerging Markets Income Fund

By /s/JIMMY D. GAMBILL

Jimmy D. Gambill
Chief Executive Officer -
Finance and Administration
Date July 26, 2007

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By /s/JIMMY D. GAMBILL

Jimmy D. Gambill
Chief Executive Officer -
Finance and Administration

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Date  July 26, 2007


By /s/GALEN G. VETTER
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  Galen G. Vetter
  Chief Financial Officer
Date  July 26, 2007
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US corporate bond fund	Barclays Capital Intermediate Credit Bond Index	0-200 basis points
US corporate high yield bond fund	CSFB High Yield Index	0-200 basis points
Equity investments		
Large cap value fund	Russell 1000 Value Index	0-300 basis points
Large cap growth fund	Russell 1000 Growth Index	0-300 basis points
Mid/small cap growth fund	Russell Midcap Growth Index/Russell 2000 Growth Index	0-50 basis points
Foreign equity fund	MSCI EAFE Index	0-300 basis points
Company stock	Russell 2000 Index	0-300 basis points

Each of the investment fund's average annualized return over a three-year period should be within the range of acceptable deviation from the benchmarked index shown above. In addition to the investment category benchmarks, the Pension Plan also utilizes certain Peer Group benchmarks, based on Morningstar percentile rankings for each investment category. Funds are generally considered to be underperformers if their category ranking is below the 75th percentile for the trailing one-year period; the 50th percentile for the trailing three-year period; and the 25th percentile for the trailing five-year period.

The Pension Plan invests in various investment securities which are exposed to various risks such as interest rate, market, and credit risks. All of these risks are monitored and managed by the Company. No significant concentration of risk exists within the plan assets at December 31, 2009.

The fair values of the Company's pension plan assets at December 31, 2009, by asset category, are as follows:

($ in thousands)

	Total Fair Value at December 31, 2009	Quoted Prices in Active Markets for	Significant Other Observable Inputs (Level	Significant Unobservable Inputs (Level 3)

		Identical Assets (Level 1)	2)	
Fixed income investments				
Money market funds	$ 1,597	$ –	$ 1,597	$ –
US government bond fund	1,399	1,399		
US corporate bond fund	1,503	1,503		
US corporate high yield bond fund	867	867		
Equity investments				
Large cap value fund	3,452	3,452		
Large cap growth fund	3,419	3,419		
Small cap growth fund	3,249	3,249		
Foreign equity fund	1,794	1,794		
Company stock	513	513		
Total	$ 17,793	$ 16,196	$ 1,597	$ –

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The fair values of the Company's pension plan assets at December 31, 2008, by asset category, are as follows:

($ in thousands)

	Total Fair Value at December 31, 2008	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed income investments				
Money market funds	$ 1,464	$ –	$ 1,464	$ –
US government bond fund	1,685	1,685		
US corporate bond fund	1,806	1,806		
US corporate high yield bond fund	613	613		
Equity investments				
Large cap value fund	2,076	2,076		
Large cap growth fund	1,944	1,944		
Mid-small cap growth fund	1,800	1,800		
Foreign equity fund	1,003	1,003		
Company stock	674	674		
Total	$ 13,065	$ 11,601	$ 1,464	$ –

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2009 and 2008.

- Money market fund: valued on the active market on which it is traded; at amortized cost, which approximates fair value.
- Mutual funds, common stocks: valued at the closing price reported on the active market on which the individual securities are traded.

Supplemental Executive Retirement Plan. The Company sponsors a Supplemental Executive Retirement Plan (the "SERP") for the benefit of certain senior management executives of the Company. The purpose of the SERP is to provide additional monthly pension benefits to ensure that each such senior management executive would receive lifetime monthly pension benefits equal to 3% of his or her final average compensation multiplied by his or her years of service (maximum of 20 years) to the Company or its subsidiaries, subject to a maximum of 60% of his or her final average compensation. The amount of a participant's monthly SERP benefit is reduced by (i) the amount payable under the Company's qualified Pension Plan (described above), and (ii) 50% of the participant's primary social security benefit. Final average compensation means the average of the 5 highest consecutive calendar years of earnings during the last 10 years of service prior to termination of employment. The SERP is an unfunded plan. Payments are made from the general assets of the Company.

The following table reconciles the beginning and ending balances of the SERP's benefit obligation, as computed by the Company's independent actuarial consultants:

(In thousands)	2009	2008	2007

Change in benefit obligation			
Projected benefit obligation at beginning of year	$5,239	4,711	4,133
Service cost	464	454	431
Interest cost	328	264	242
Actuarial (gain) loss	296	(85)	10
Benefits paid	(105)	(105)	(105)
Projected benefit obligation at end of year	6,222	5,239	4,711
Plan assets			
Funded status at end of year	$(6,222)	(5,239)	(4,711)

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The accumulated benefit obligation related to the SERP was $4,882,000, $4,185,000, and $3,482,000 at December 31, 2009, 2008, and 2007, respectively.

The following table presents information regarding the amounts recognized in the consolidated balance sheets at December 31, 2009 and 2008 as it relates to the SERP, excluding the related deferred tax assets.

(In thousands)	2009	2008
Other assets – prepaid pension asset (liability)	$ (4,726)	(3,914)
Other liabilities	(1,496)	(1,325)
	$ (6,222)	(5,239)

The following table presents information regarding the amounts recognized in AOCI at December 31, 2009 and 2008.

(In thousands)	2009	2008
Net (gain)/loss	$ 1,357	1,167
Prior service cost	139	158
Amount recognized in AOCI before tax effect	1,496	1,325
Tax benefit	(590)	(520)
Net amount recognized as reduction to AOCI	$ 906	805

The following table reconciles the beginning and ending balances of the prepaid pension cost related to the SERP:

(In thousands)	2009	2008
Prepaid pension cost (liability) as of beginning of fiscal year	$ (3,914)	(3,229)
Net periodic pension cost for fiscal year	(917)	(790)
Benefits paid	105	105
Prepaid pension cost (liability) as of end of fiscal year	$ (4,726)	(3,914)

Net pension cost for the SERP included the following components for the years ended December 31, 2009, 2008, and 2007:

(In thousands)	2009	2008	2007
Service cost – benefits earned during the period	$464	454	431
Interest cost on projected benefit obligation	328	264	242
Net amortization and deferral	125	72	115
Net periodic pension cost	$917	790	788

The estimated net loss and prior service cost that will be amortized from accumulated other comprehensive income into net periodic pension cost over the next fiscal year are $71,000 and $19,000, respectively.

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The following table is an estimate of the benefits that will be paid in accordance with the SERP during the indicated time periods:

(In thousands)	Estimated benefit payments	
Year ending December 31, 2010	$	136
Year ending December 31, 2011		192
Year ending December 31, 2012		223
Year ending December 31, 2013		319
Year ending December 31, 2014		314
Years ending December 31, 2015-2019		2,515

The following assumptions were used in determining the actuarial information for the Pension Plan and the SERP for the years ended December 31, 2009, 2008, and 2007:

	2009				2008				2007			
	Pension Plan		SERP		Pension Plan		SERP		Pension Plan		SERP	
Discount rate used to determine net periodic pension cost	5.75	%	5.75	%	6.00	%	6.00	%	5.75	%	5.75	%
Discount rate used to calculate end of year liability disclosures	6.00	%	6.00	%	5.75	%	5.75	%	6.00	%	6.00	%
Expected long-term rate of return on assets	7.75	%	n/a		7.75	%	n/a		8.75	%	n/a	
Rate of compensation increase	5.00	%	5.00	%	5.00	%	5.00	%	5.00	%	5.00	%

Until 2009, the Company’s policy was that the year end discount rate would be a rate no greater than the Moody’s Aa corporate bond rate as of December 31 of each year, rounded up to the nearest quarter point. In 2009, based upon a recommendation from the Company’s actuarial firm, the Company’s discount rate policy was changed to be based on a calculation of the Company’s expected pension payments, with those payments discounted using the Citigroup Pension Index yield curve. The revised policy is believed to be preferable to the former policy because the Moody’s Aa corporate bond rate is based on a duration of approximately 20 years, whereas the duration of the Company’s pension plan is in excess of 30 years.

Note 12. Commitments, Contingencies, and Concentrations of Credit Risk

See Note 10 with respect to future obligations under noncancelable operating leases.

In the normal course of the Company’s business, there are various outstanding commitments and contingent liabilities such as commitments to extend credit, that are not reflected in the financial statements. At December 31, 2009, the Company had outstanding loan commitments of $315,723,000, of which $274,817,000 were at variable rates and $40,906,000 were at fixed rates. Included in outstanding loan commitments were unfunded commitments of $214,249,000 on revolving credit plans, of which $183,410,000 were at variable rates and $30,839,000 were at fixed rates.

At December 31, 2009 and 2008, the Company had $7,646,000 and $8,297,000, respectively, in standby letters of credit outstanding. The Company has no carrying amount for these standby letters of credit at either of those dates. The nature of the standby letters of credit is a guarantee made on behalf of the Company's customers to suppliers of the customers to guarantee payments owed to the supplier by the customer. The standby letters of credit are generally for terms for one year, at which time they may be renewed for another year if both parties agree. The payment of the guarantees would generally be triggered by a continued nonpayment of

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an obligation owed by the customer to the supplier. The maximum potential amount of future payments (undiscounted) the Company could be required to make under the guarantees in the event of nonperformance by the parties to whom credit or financial guarantees have been extended is represented by the contractual amount of the standby letter of credit. In the event that the Company is required to honor a standby letter of credit, a note, already executed with the customer, is triggered which provides repayment terms and any collateral. Over the past ten years, the Company has had to honor one standby letter of credit, which was repaid by the borrower without any loss to the Company. Management expects any draws under existing commitments to be funded through normal operations.

The Company is not involved in any legal proceedings which, in management's opinion, could have a material effect on the consolidated financial position of the Company.

The Bank grants primarily commercial and installment loans to customers throughout its market area, which consists of Anson, Beaufort, Bladen, Brunswick, Cabarrus, Carteret, Chatham, Columbus, Dare, Davidson, Duplin, Guilford, Harnett, Iredell, Lee, Montgomery, Moore, New Hanover, Onslow, Randolph, Richmond, Robeson, Rockingham, Rowan, Scotland, Stanly and Wake Counties in North Carolina, Chesterfield, Dillon, Florence and Horry Counties in South Carolina, and Montgomery, Pulaski, Washington and Wythe Counties in Virginia. The real estate loan portfolio can be affected by the condition of the local real estate market. The commercial and installment loan portfolios can be affected by local economic conditions. The following table presents the Company's loans outstanding at December 31, 2009 by general geographic region.

Region, with counties included in parenthesis	Loans (in millions)
Eastern North Carolina Region (New Hanover, Brunswick, Duplin, Dare, Beaufort, Onslow, Carteret)	$ 765
Triangle North Carolina Region (Moore, Lee, Harnett, Chatham, Wake)	764
Triad North Carolina Region (Montgomery, Randolph, Davidson, Rockingham, Guilford, Stanly)	415
Southern Piedmont North Carolina Region (Anson, Richmond, Scotland, Robeson, Bladen, Columbus)	242
South Carolina Region (Chesterfield, Dillon, Florence, Horry)	189
Virginia Region (Wythe, Washington, Montgomery, Pulaski)	159
Charlotte North Carolina Region (Iredell, Cabarrus, Rowan)	111
Other	8
Total loans	$ 2,653

The Company's loan portfolio is not concentrated in loans to any single borrower or to a relatively small number of borrowers. Additionally, management is not aware of any concentrations of loans to classes of borrowers or industries that would be similarly affected by economic conditions.

In addition to monitoring potential concentrations of loans to particular borrowers or groups of borrowers, industries and geographic regions, the Company monitors exposure to credit risk that could arise from potential concentrations of lending products and practices such as loans that subject borrowers to substantial payment increases (e.g. principal deferral periods, loans with initial interest-only periods, etc), and loans with high loan-to-value ratios. Additionally, there are industry practices that could subject the Company to increased credit risk should economic conditions change over the course of a loan's life. For example, the Company makes variable rate loans and fixed rate principal-amortizing loans with maturities prior to the loan being fully paid (i.e. balloon payment loans). These loans are underwritten and monitored to manage the associated risks. The Company has determined that there is no concentration of credit risk associated with its lending policies or practices.

The Company’s investment portfolio consists principally of obligations of government-sponsored enterprises,

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mortgage-backed securities guaranteed by government-sponsored enterprises, corporate bonds, FHLB stock and general obligation municipal securities. The following are the fair values at December 31, 2009 of available for sale and held to maturity securities to any one issuer/guarantor that exceed $1 million, with such amounts representing the maximum amount of credit risk that the Company would incur if the issuer did not repay the obligation.

($ in thousands)			
Issuer		Amortized Cost	Fair Value
Federal Home Loan Bank System - bonds	$	31,042	31,442
Federal Home Loan Bank of Atlanta - common stock		16,519	16,519
Freddie Mac - bonds		5,064	5,077
Freddie Mac - mortgage-backed securities		7,313	7,628
Fannie Mae - mortgage-backed securities		18,120	18,993
Ginnie Mae - mortgage-backed securities		83,997	85,176
Bank of America - trust preferred securities		7,116	6,749
First Citizens Bancorp (North Carolina) - trust preferred security		2,092	1,811
Wells Fargo - trust preferred security		2,567	2,428
First Citizens Bancorp (South Carolina) – bond / trust preferred securities		3,994	3,448

Until February 27, 2009, the FHLB redeemed their stock at par as borrowings were repaid. On February 27, 2009, the FHLB announced that they would no longer automatically redeem their stock when loans are repaid. Instead, they stated that they would evaluate whether they would repurchase stock on a quarterly basis. Since that time the FHLB has not repurchased any excess stock.

The Company places its deposits and correspondent accounts with the Federal Home Loan Bank of Atlanta, the Federal Reserve Bank, and Bank of America and sells its federal funds to Bank of America. At December 31, 2009, the Company had deposits in the Federal Home Loan Bank of Atlanta totaling $4.8 million, deposits of $278.4 million in the Federal Reserve Bank, and deposits of $33.3 million in Bank of America and federal funds sold to Bank of America of $7.6 million. None of the deposits held at the Federal Home Loan Bank of Atlanta, the Federal Reserve Bank, or the federal funds sold to Bank of America are FDIC-insured, however the Federal Reserve Bank is a government entity and therefore risk of loss is minimal. The deposits held at Bank of America were fully guaranteed by the FDIC under its Temporary Liquidity Guarantee Program which guarantees, until December 31, 2013, an unlimited amount of non-interest bearing deposits.

In connection with the Company's acquisition of Cooperative Bank in an FDIC-assisted transaction, the Company has committed to purchase from the FDIC 19 of Cooperative's former branch buildings, including furniture and equipment therein, for approximately $15 million.

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Note 13. Fair Value of Financial Instruments

As discussed in Note 1(o), the Company is required to disclose estimated fair values for its financial instruments. Fair value estimates as of December 31, 2009 and 2008 and limitations thereon are set forth below for the Company's financial instruments. See Note 1(o) for a discussion of fair value methods and assumptions, as well as fair value information for off-balance sheet financial instruments.

	December 31, 2009		December 31, 2008	
(In thousands)	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Cash and due from banks, noninterest-bearing	$60,071	60,071	88,015	88,015
Due from banks, interest-bearing	283,175	283,175	105,191	105,191
Federal funds sold	7,626	7,626	31,574	31,574
Securities available for sale	179,755	179,755	171,193	171,193
Securities held to maturity	34,413	34,947	15,990	15,811
Presold mortgages in process of settlement	3,967	3,967	423	423
Loans - non-covered, net of allowance	2,095,500	2,063,267	2,182,059	2,186,229
Loans - covered, net of allowance	520,022	520,022	–	–
FDIC loss share receivable	143,221	141,253	–	–
Accrued interest receivable	14,783	14,783	12,653	12,653
Deposits	2,933,108	2,942,539	2,074,791	2,082,691
Securities sold under agreements to repurchase	64,058	64,058	61,140	61,140
Borrowings	176,811	141,176	367,275	339,139
Accrued interest payable	3,054	3,054	5,077	5,077

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Because no highly liquid market exists for a significant portion of the Company's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair value estimates are based on existing on- and off-balance sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. Significant assets and liabilities that are not considered financial assets or liabilities include net premises and equipment, intangible and other assets such as foreclosed properties, deferred income taxes, prepaid expense accounts, income taxes currently payable and other various accrued expenses. In addition, the income tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in any of the estimates.

As discussed in Note 1(t), the Company adopted FASB ASC 820, "Fair Value Measurements and Disclosure," on January 1, 2008, as it applies to financial assets and liabilities and on January 1, 2009 for non-financial assets and liabilities. ASC 820 provides enhanced guidance for measuring assets and liabilities using fair value and applies to situations where other standards require or permit assets or liabilities to be measured at fair value. ASC 820 also requires expanded disclosure of items that are measured at fair value, the information used to measure fair value and the effect of fair value measurements on earnings.

ASC 820 establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

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Level 1: Quoted prices (unadjusted) of identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Quoted prices for similar instruments in active or non-active markets and model-derived valuations in which all significant inputs are observable in active markets.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The following table summarizes the Company's financial instruments that were measured at fair value on a recurring and nonrecurring basis at December 31, 2009.

($ in thousands)

Description of Financial Instruments	Fair Value at December 31, 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Recurring				
Securities available for sale	$ 179,755	485	179,270	—
Nonrecurring				
Impaired loans - covered	94,746	—	94,746	—
Impaired loans - non-covered	45,857	—	45,857	—
Other real estate - covered	47,430	—	47,430	—
Other real estate - non-covered	8,793	—	8,793	—

The following is a description of the valuation methodologies used for instruments measured at fair value.

Securities — When quoted market prices are available in an active market, the securities are classified as Level 1 in the valuation hierarchy. Level 1 securities for the Company include certain equity securities. If quoted market prices are not available, but fair values can be estimated by observing quoted prices of securities with similar characteristics, the securities are classified as Level 2 on the valuation hierarchy. For the Company, Level 2 securities include mortgage-backed securities, collateralized mortgage obligations, government-sponsored entity securities, and corporate bonds. In cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Impaired loans — FASB ASC 820 applies to loans that are measured for impairment using the practical expedients permitted by FASB ASC 310-10-35. Fair values for impaired loans in the above table are collateral dependent and are estimated based on underlying collateral values, which are then adjusted for the cost related to liquidation of the collateral.

Other real estate – Other real estate, consisting of properties obtained through foreclosure or in satisfaction of loans, is reported at the lower of cost or fair value, determined on the basis of current appraisals, comparable sales, and other estimates of value obtained principally from independent sources, adjusted for estimated selling costs. At the time of foreclosure, any excess of the loan balance over the fair value of the real estate held as collateral is treated as a charge against the allowance for loan losses.

For the year ended December 31, 2009, the increase in the fair value of securities available for sale was $1,559,000, which is included in other comprehensive income (net of taxes of $608,000). Fair value measurement methods at December 31, 2009 are consistent with those used in prior reporting periods.

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Note 14. Equity-Based Compensation Plans

At December 31, 2009, the Company had the following equity-based compensation plans: the First Bancorp 2007 Equity Plan, the First Bancorp 2004 Stock Option Plan, the First Bancorp 1994 Stock Option Plan, and one plan that was assumed from an acquired entity. The Company's shareholders approved all equity-based compensation plans, except for those assumed from acquired companies. The First Bancorp 2007 Equity Plan became effective upon the approval of shareholders on May 2, 2007. As of December 31, 2009, the First Bancorp 2007 Equity Plan was the only plan that had shares available for future grants.

The First Bancorp 2007 Equity Plan and its predecessor plans, the First Bancorp 2004 Stock Option Plan and the First Bancorp 1994 Stock Option Plan ("Predecessor Plans"), are intended to serve as a means to attract, retain and motivate key employees and directors and to associate the interests of the plans' participants with those of the Company and its shareholders. The Predecessor Plans only provided for the ability to grant stock options, whereas the First Bancorp 2007 Equity Plan, in addition to providing for grants of stock options, also allows for grants of other types of equity-based compensation, including stock appreciation rights, restricted stock, restricted performance stock, unrestricted stock, and performance units. Since the First Bancorp 2007 Equity Plan became effective on May 2, 2007, the Company has granted the following stock-based compensation: 1) the grant of 2,250 stock options to each of the Company's non-employee directors on June 1, 2007, 2008, and 2009, 2) the grant of 5,000 incentive stock options to an executive officer on April 1, 2008 in connection with a corporate acquisition, and 3) the grant of 262,599 stock options and 81,337 performance units to 19 senior officers on June 17, 2008 (each performance unit represents the right to acquire one share of the Company's common stock upon satisfaction of the vesting conditions), and 4) the grant of 29,267 long-term restricted shares of common stock to certain senior executive officers on December 11, 2009.

Prior to the June 17, 2008 grant, stock option grants to employees generally had five-year vesting schedules (20% vesting each year) and had been irregular, usually falling into three categories - 1) to attract and retain new employees, 2) to recognize changes in responsibilities of existing employees, and 3) to periodically reward exemplary performance. Compensation expense associated with these types of grants is recorded pro-ratably over the vesting period. As it relates to directors, the Company has historically granted 2,250 vested stock options to each of the Company's non-employee directors in June of each year, and expects to continue doing so for the foreseeable future. Compensation expense associated with these director grants is recognized on the date of grant since there are no vesting conditions.

The June 17, 2008 grant of a combination of performance units and stock options have both performance conditions (earnings per share targets) and service conditions that must be met in order to vest. The 262,599 stock options and 81,337 performance units represent the maximum number of options and performance units that could have vested if the Company were to achieve specified maximum goals for earnings per share during the three annual performance periods ending on December 31, 2008, 2009, and 2010. Up to one-third of the total number of options and performance units granted are subject to vesting annually as of December 31 of each year beginning in 2010, if (1) the Company achieves specific earnings per share (EPS) goals during the corresponding performance period and (2) the executive or key employee continues employment for a period of two years beyond the corresponding performance period. Compensation expense for this grant is recorded over the various service periods based on the estimated number of options and performance units that are probable to vest. If the awards do not vest, no compensation cost is recognized and any previously recognized compensation cost will be reversed. The Company did not achieve the minimum earnings per share performance goal for 2008, and thus one-third of the above grant was permanently forfeited. During June 2009, as a result of the significant gain realized related to the Cooperative Bank acquisition (see Note 2), the Company determined that it was probable that the EPS goal for 2009 would be met. Accordingly, the Company recorded compensation expense of $149,000 in June 2009 and $75,000 in the third and fourth quarters of 2009. Assuming no forfeitures, the Company will record compensation expense of approximately $300,000 in both

2010 and 2011 as a result of the vesting of the 2009 performance period awards. The Company does not believe that the EPS goals for 2010 will

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be met, and thus no compensation expense has been recorded related to that performance period.

The December 11, 2009 grant of 29,267 long-term restricted shares of common stock to senior executives vests in accordance with the minimum rules for long-term equity grants for companies participating in the TARP. These rules require that the vesting of the stock be tied to repayment of the financial assistance. For each 25% of total financial assistance repaid, 25% of the total long-term restricted stock may become transferrable. The amount of compensation expense recorded by the Company in 2009 was insignificant. The total compensation expense associated with this grant was $398,000 and is being initially amortized over a four year period. See Note 18 for further information related to the Company's participation in the TARP.

Under the terms of the Predecessor Plans and the 2007 Equity Plan, options can have a term of no longer than ten years, and all options granted thus far under these plans have had a term of ten years. The Company's options provide for immediate vesting if there is a change in control (as defined in the plans).

At December 31, 2009, there were 743,828 options outstanding related to the three First Bancorp plans, with exercise prices ranging from $9.75 to $22.12. At December 31, 2009, there were 864,941 shares remaining available for grant under the First Bancorp 2007 Equity Plan. The Company also has a stock option plan as a result of a corporate acquisition. At December 31, 2009, there were 9,288 stock options outstanding in connection with the acquired plan, with option prices ranging from $10.66 to $15.22.

The Company issues new shares of common stock when options are exercised.

The Company measures the fair value of each option award on the date of grant using the Black-Scholes option-pricing model. The Company determines the assumptions used in the Black-Scholes option pricing model as follows: the risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of the grant; the dividend yield is based on the Company's dividend yield at the time of the grant (subject to adjustment if the dividend yield on the grant date is not expected to approximate the dividend yield over the expected life of the option); the volatility factor is based on the historical volatility of the Company's stock (subject to adjustment if historical volatility is reasonably expected to differ from the past); and the weighted-average expected life is based on the historical behavior of employees related to exercises, forfeitures and cancellations.

The per share weighted-average fair value of options granted during 2009, 2008 and 2007 was $6.06, $5.09, and $5.80, respectively, on the date of the grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

	2009		2008		2007	
Expected dividend yield	2.23	%	4.58	%	3.88	%
Risk-free interest rate	3.28	%	4.17	%	4.92	%
Expected life	7 years		9.7 years		7 years	
Expected volatility	46.32	%	34.65	%	32.91	%

The Company recorded stock-based compensation expense of $449,000, $143,000, and $190,000 for the years ended December 31, 2009, 2008, and 2007, respectively. Of the $449,000 in expense that was recorded in 2009, approximately $299,000 related to the June 17, 2008 grants to 19 senior officers and is classified as "personnel expense" on the Consolidated Statements of Income, while $150,000 relates to the June 1, 2009 director grants and is classified as "other operating expenses." Substantially all of the expense recorded in 2008 and 2007 relates to the June 1 director grants and is classified as "other operating expenses." Stock-based compensation expense is reflected as an adjustment to cash flows from operating activities on the Company's Consolidated Statement of Cash Flows. The Company recognized $58,000, $53,000, and $56,000 of income tax benefits related to stock-based compensation expense in the income statement for the years ended December 31, 2009, 2008, and 2007, respectively.

At December 31, 2009, the Company had $31,000 of unrecognized compensation costs related to unvested

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stock options that have vesting requirements based solely on service conditions. At December 31, 2008, the Company had $1.5 million in unrecognized compensation expense associated with the June 17, 2008 award grant that has both performance conditions and service conditions. Based on the performance conditions, the Company believes that only $600,000 of this amount will ultimately vest, with approximately $300,000 to be recorded as expense in each of 2010 and 2011.

As noted above, certain of the Company's stock option grants contain terms that provide for a graded vesting schedule whereby portions of the award vest in increments over the requisite service period. As provided for under FASB ASC 718, "Stock Compensation," the Company has elected to recognize compensation expense for awards with graded vesting schedules on a straight-line basis over the requisite service period for the entire award. ASC 718 requires companies to recognize compensation expense based on the estimated number of stock options and awards that will ultimately vest. Over the past five years, there have only been minimal amounts of forfeitures or expirations, and therefore the Company assumes that all options granted without performance conditions will become vested.

The following table presents information regarding the activity since December 31, 2006 related to all of the Company's stock options outstanding:

	Options Outstanding			
	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Contractual Term (years)	Aggregate Intrinsic Value
Balance at December 31, 2006	656,104	$ 16.94		
Granted	24,750	19.61		
Exercised	(62,372)	12.95		$ 535,000
Forfeited	(10,500)	21.70		
Expired	–	–		
Balance at December 31, 2007	607,982	17.38		
Granted	296,849	16.63		
Assumed in corporate acquisition	88,409	14.39		
Exercised	(76,849)	13.83		$ 304,330
Forfeited	(87,515)	16.53		
Expired	–	–		
Balance at December 31, 2008	828,876	17.21		
Granted	27,000	14.35		
Exercised	(73,843)	13.14		$ 251,000
Forfeited	–	–		
Expired	(28,917)	11.52		
Outstanding at December 31, 2009	753,116	$ 17.73	5.1	$ —

Exercisable at December 31, 2009	573,532	$ 18.06	4.0	$ —

The Company received $393,000, $705,000, and $568,000 as a result of stock option exercises during the years ended December 31, 2009, 2008, and 2007, respectively. The Company recorded $73,000, $65,000, and $41,000 in associated tax benefits from the exercise of nonqualified stock options during the years ended December 31, 2009, 2008, and 2007, respectively.

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The following table summarizes information about the stock options outstanding at December 31, 2009:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding at 12/31/09	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable at 12/31/09	Weighted-Average Exercise Price
$8.85 to $11.06	22,098	1.1	$10.49	22,098	$10.49
$11.06 to $13.27	–	–	–	–	–
$13.27 to $15.48	171,404	2.9	15.18	171,404	15.18
$15.48 to $17.70	293,884	6.7	16.51	118,800	16.47
$17.70 to $19.91	56,250	5.7	19.65	56,250	19.65
$19.91 to $22.12	209,480	4.9	21.76	204,980	21.78
	753,116	5.1	$17.73	573,532	$18.06

As discussed above, the Company granted 81,337 performance units to 19 senior officers on June 17, 2008. Each performance unit represents the right to acquire one share of the Company's common stock upon satisfaction of the vesting conditions. The fair market value of the Company's common stock on the grant date was $16.53 per share. One-third of this grant was forfeited on December 31, 2008 because the Company failed to meet the minimum performance goal required for vesting. Also as discussed above, the Company granted 29,267 long-term restricted shares of common stock to certain senior executives on December 11, 2009.

The following table presents information regarding the activity during 2008 and 2009 related to the Company's outstanding performance units and restricted stock:

	Nonvested Performance Units		Long-Term Restricted Stock	
	Number of Units	Weighted-Average Grant-Date Fair Value	Number of Units	Weighted-Average Grant-Date Fair Value
Nonvested at January 1, 2008	–	$ –	–	$ –
Granted during the period	81,337	16.53	–	–
Vested during the period	–	–	–	–
Forfeited or expired during the period	(27,112)	16.53	–	–
Nonvested at December 31, 2008	54,225	$ 16.53	–	$ –
Granted during the period	–	–	29,267	$ 13.59
Vested during the period	–	–	–	–
Forfeited or expired during the period	–	–	–	–

Nonvested at December 31, 2009	54,225	$	16.53	29,267	$	13.59

Note 15. Regulatory Restrictions

The Company is regulated by the Federal Reserve Board and is subject to securities registration and public reporting regulations of the Securities and Exchange Commission. The Bank is regulated by the FDIC and the North Carolina Commissioner of Banks.

The primary source of funds for the payment of dividends by the Company is dividends received from its

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subsidiary, the Bank. The Bank, as a North Carolina banking corporation, may pay dividends only out of undivided profits as determined pursuant to North Carolina General Statutes Section 53-87. As of December 31, 2009, the Bank had undivided profits of approximately $206,478,000 which were available for the payment of dividends (subject to remaining in compliance with regulatory capital requirements). As of December 31, 2009, approximately $181,680,000 of the Company's investment in the Bank is restricted as to transfer to the Company without obtaining prior regulatory approval.

The average reserve balance maintained by the Bank under the requirements of the Federal Reserve Board was approximately $25,000 for the year ended December 31, 2009.

The Company and the Bank must comply with regulatory capital requirements established by the Federal Reserve Board and FDIC. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of the Company's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Company's and Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. These capital standards require the Company and the Bank to maintain minimum ratios of "Tier 1" capital to total risk-weighted assets ("Tier I Capital Ratio") and total capital to risk-weighted assets of 4.00% and 8.00% ("Total Capital Ratio"), respectively. Tier 1 capital is comprised of total shareholders' equity, excluding unrealized gains or losses from the securities available for sale, less intangible assets, and total capital is comprised of Tier 1 capital plus certain adjustments, the largest of which for the Company and the Bank is the allowance for loan losses. Risk-weighted assets refer to the on- and off-balance sheet exposures of the Company and the Bank, adjusted for their related risk levels using formulas set forth in Federal Reserve Board and FDIC regulations.

In addition to the risk-based capital requirements described above, the Company and the Bank are subject to a leverage capital requirement, which calls for a minimum ratio of Tier 1 capital (as defined above) to quarterly average total assets ("Leverage Ratio) of 3.00% to 5.00%, depending upon the institution's composite ratings as determined by its regulators. The Federal Reserve Board has not advised the Company of any requirement specifically applicable to it.

In addition to the minimum capital requirements described above, the regulatory framework for prompt corrective action also contains specific capital guidelines applicable to banks for classification as "well capitalized," which are presented with the minimum ratios, the Company's ratios and the Bank's ratios as of December 31, 2009 and 2008 in the following table. Based on the most recent notification from its regulators, the Bank is well capitalized under the framework. There are no conditions or events since that notification that management believes have changed the Company's classification.

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Also see Note 18 for discussion of the sale of $65 million in preferred stock in January 2009 that increased the Company's capital ratios.

($ in thousands)	Actual Amount	Actual Ratio	For Capital Adequacy Purposes Amount (must equal or exceed)	For Capital Adequacy Purposes Ratio (must equal or exceed)	To Be Well Capitalized Under Prompt Corrective Action Provisions Amount (must equal or exceed)	To Be Well Capitalized Under Prompt Corrective Action Provisions Ratio (must equal or exceed)
As of December 31, 2009						
Total Capital Ratio						
Company	$349,858	15.14 %	$184,904	8.00 %	$N/A	N/A
Bank	346,178	14.99 %	184,732	8.00 %	230,915	10.00 %
Tier I Capital Ratio						
Company	320,862	13.88 %	92,452	4.00 %	N/A	N/A
Bank	317,209	13.74 %	92,366	4.00 %	138,549	6.00 %
Leverage Ratio						
Company	320,862	9.30 %	137,987	4.00 %	N/A	N/A
Bank	317,209	9.20 %	137,868	4.00 %	172,335	5.00 %
As of December 31, 2008						
Total Capital Ratio						
Company	$232,529	10.65 %	$174,626	8.00 %	$N/A	N/A
Bank	252,914	11.60 %	174,462	8.00 %	218,077	10.00 %
Tier I Capital Ratio						
Company	205,244	9.40 %	87,313	4.00 %	N/A	N/A
Bank	225,654	10.35 %	87,231	4.00 %	130,846	6.00 %
Leverage Ratio						
Company	205,244	8.10 %	101,377	4.00 %	N/A	N/A
Bank	225,654	8.91 %	101,293	4.00 %	126,616	5.00 %

Note 16. Supplementary Income Statement Information

Components of other noninterest income/expense exceeding 1% of total income for any of the years ended December 31, 2009, 2008, and 2007 are as follows:

(In thousands)	2009	2008	2007
Other service charges, commissions, and fees – electronic payment processing revenue	$3,061	2,544	2,258
Other gains (losses) – acquisition gain – see Note 2	67,894	–	–
Other operating expenses – electronic payment processing expense	1,278	955	707
Other operating expenses – stationery and supplies	2,181	1,903	1,593
Other operating expenses – FDIC insurance expense	5,500	1,157	100

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Note 17. Condensed Parent Company Information

Condensed financial data for First Bancorp (parent company only) follows:

CONDENSED BALANCE SHEETS	As of December 31,	
(In thousands)	2009	2008
Assets		
Cash on deposit with bank subsidiary	$4,322	1,767
Investment in wholly-owned subsidiaries, at equity	384,329	286,070
Premises and Equipment	183	194
Other assets	1,685	1,729
Total assets	$390,519	289,760
Liabilities and shareholders' equity		
Trust preferred securities	$46,394	66,394
Other liabilities	1,742	3,498
Total liabilities	48,136	69,892
Shareholders' equity	342,383	219,868
Total liabilities and shareholders' equity	$390,519	289,760

CONDENSED STATEMENTS OF INCOME	Year Ended December 31,		
(In thousands)	2009	2008	2007
Dividends from wholly-owned subsidiaries	$13,250	8,500	18,200
Undistributed earnings of wholly-owned subsidiaries	49,024	16,694	7,959
Interest expense	(1,356)	(3,312)	(5,293)
All other income and expenses, net	(659)	123	944
Net income	$60,259	22,005	21,810
Preferred stock dividends and accretion	(3,972)	—	—
Net income available to common shareholders	$56,287	22,005	21,810

CONDENSED STATEMENTS OF CASH FLOWS	Year Ended December 31,		
(In thousands)	2009	2008	2007
Operating Activities:			
Net income	$60,259	22,005	21,810
Equity in undistributed earnings of subsidiaries	(49,024)	(16,694)	(7,959)
Decrease in other assets	72	132	953
Decrease in other liabilities	(349)	(91)	(76)
Total – operating activities	10,958	5,352	14,728
Investing Activities:			
Downstream cash investment in subsidiary	(45,000)	—	—
Cash proceeds from dissolution of subsidiary	—	—	111

Proceeds from sales of investments	—	500	—
Net cash received in acquisition of Great Pee Dee Bancorp, Inc.	—	485	—
Total – investing activities	(45,000)	985	111
Financing Activities:			
Repayments of borrowings, net	(20,000)	—	(619)
Payment of cash dividends	(9,908)	(11,738)	(10,923)
Proceeds from issuance of preferred stock and common stock warrants	65,000	—	—
Proceeds from issuance of common stock	1,505	1,957	568
Purchases and retirement of common stock	—	—	(532)
Total - financing activities	36,597	(9,781)	(11,506)
Net increase (decrease) in cash	2,555	(3,444)	3,333
Cash, beginning of year	1,767	5,211	1,878
Cash, end of year	$4,322	1,767	5,211

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Note 18. Participation in the U.S. Treasury Capital Purchase Program

On January 9, 2009, the Company completed the sale of $65 million of Series A preferred stock to the Treasury under the Treasury's Capital Purchase Program. The program is designed to attract broad participation by healthy banking institutions to help stabilize the financial system and increase lending for the benefit of the U.S. economy.

Under the terms of the stock purchase agreement, the Treasury received (i) 65,000 shares of fixed rate cumulative perpetual preferred stock with a liquidation value of $1,000 per share and (ii) a warrant to purchase 616,308 shares of the Company's common stock, no par value, in exchange for $65 million.

The preferred stock qualifies as Tier 1 capital and will pay cumulative dividends at a rate of 5% for the first five years, and 9% thereafter. Subject to regulatory approval, the Company is generally permitted to redeem the preferred shares at par plus unpaid dividends.

The warrant has a 10-year term and was immediately exercisable upon its issuance with an exercise price equal to $15.82 per share. The Treasury has agreed not to exercise voting power with respect to any shares of common stock issued upon exercise of the warrant.

The Company allocated the $65 million in proceeds to the preferred stock and the warrant based on their relative fair values. To determine the fair value of the preferred stock, the Company used a discounted cash flow model that assumed redemption of the preferred stock at the end of year five. The discount rate utilized was 13% and the estimated fair value was determined to be $36.2 million. The fair value of the warrant was estimated to be $2.8 million using the Black-Scholes option pricing model with the following assumptions:

Expected dividend yield		4.83	%
Risk-free interest rate		2.48	%
Expected life	10 years		
Expected volatility		35.00	%
Weighted average fair value	$	4.47	

The aggregate fair value result for both the preferred stock and the common stock warrant was determined to be $39.0 million, with 7% of this aggregate total attributable to the warrant and 93% attributable to the preferred stock. Therefore, the $65 million issuance was allocated with $60.4 million being assigned to the preferred stock and $4.6 million being assigned to the warrant.

The $4.6 million difference between the $65 million face value of the preferred stock and the $60.4 million allocated to it upon issuance was recorded as a discount on the preferred stock. The $4.6 million discount is being accreted, using the effective interest method, as a reduction in net income available to common shareholders over a five year period at approximately $0.8 million to $1.0 million per year.

For the year ended December 31, 2009, the Company accrued approximately $3,169,000 in preferred dividend payments and accreted $803,000 of the discount on the preferred stock. These amounts are deducted from net income in computing "Net income available to common shareholders."

Note 19. Subsequent Events

In January 2010, the Company received the results of a collateral audit from the FHLB. Based primarily on a finding that the Company was not keeping certain original loan documents, but was instead imaging them and shredding the original documents, a significant portion of the Company's collateral pledged to the FHLB was deemed to be ineligible for pledging purposes. As a result, the Company's borrowing availability was reduced from the $687 million disclosed in Note 9 to approximately $335 million.

In February 2010, the Company's line of credit with a commercial bank was renewed for a one year period with a $10 million limit compared to the prior limit of $20 million.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders
First Bancorp
Troy, North Carolina

We have audited the accompanying consolidated balance sheets of First Bancorp and subsidiaries (the “Company”) as of December 31, 2009 and 2008, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2009. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of First Bancorp and subsidiaries as of December 31, 2009 and 2008, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2009 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes 1 and 2 to the consolidated financial statements, effective January 1, 2009, the Company changed its method of accounting and reporting for business combinations as a result of adopting new accounting guidance.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 15, 2010 expressed an unqualified opinion on the effectiveness of the Company’s internal control over financial reporting.

/s/ Elliott Davis

Greenville, South Carolina
March 15, 2010

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders
First Bancorp
Troy, North Carolina

We have audited the internal control over financial reporting of First Bancorp and subsidiaries (the "Company") as of December 31, 2009, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (c) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on the COSO criteria.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of December 31, 2009 and 2008 and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2009 and our report dated March 15, 2010 expressed an unqualified opinion thereon.

/s/ Elliott Davis

Greenville, South Carolina
March 15, 2010

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Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, which are our controls and other procedures that are designed to ensure that information required to be disclosed in our periodic reports with the SEC is recorded, processed, summarized and reported within the required time periods. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed is communicated to our management to allow timely decisions regarding required disclosure. Based on the evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures are effective in allowing timely decisions regarding disclosure to be made about material information required to be included in our periodic reports with the SEC.

Management's Report On Internal Control Over Financial Reporting

Management of First Bancorp and its subsidiaries (the "Company") is responsible for establishing and maintaining effective internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

Under the supervision and with the participation of management, including the principal executive officer and principal financial officer, the Company conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation under the framework in Internal Control – Integrated Framework, management of the Company has concluded the Company maintained effective internal control over financial reporting, as such term is defined in Securities Exchange Act of 1934 Rules 13a-15(f), as of December 31, 2009.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting can also be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Management is also responsible for the preparation and fair presentation of the consolidated financial statements and other financial information contained in this report. The accompanying consolidated financial statements were prepared in conformity with U.S. generally accepted accounting principles and include, as necessary, best estimates and judgments by management.

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Elliott Davis, PLLC, an independent, registered public accounting firm, has audited the Company's consolidated financial statements as of and for the year ended December 31, 2009, and audited the Company's effectiveness of internal control over financial reporting as of December 31, 2009, as stated in their report, which is included in Item 8 hereof.

Changes in Internal Controls

There were no changes in our internal control over financial reporting that occurred during, or subsequent to, the fourth quarter of 2009 that were reasonably likely to materially affect our internal control over financial reporting.

Item 9B. Other Information

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Incorporated herein by reference is the information under the captions "Directors, Nominees and Executive Officers," "Section 16(a) Beneficial Ownership Reporting Compliance," "Corporate Governance Policies and Practices" and "Board Committees, Attendance and Compensation" from the Company's definitive proxy statement to be filed pursuant to Regulation 14A.

Item 11. Executive Compensation

Incorporated herein by reference is the information under the captions "Executive Compensation" and "Board Committees, Attendance and Compensation" from the Company's definitive proxy statement to be filed pursuant to Regulation 14A.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters

Incorporated herein by reference is the information under the captions "Principal Holders of First Bancorp Voting Securities" and "Directors, Nominees and Executive Officers" from the Company's definitive proxy statement to be filed pursuant to Regulation 14A.

See also "Additional Information Regarding the Registrant's Equity Compensation Plans" in Item 5 of this report.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Incorporated herein by reference is the information under the caption "Certain Transactions" and "Corporate Governance Policies and Practices" from the Company's definitive proxy statement to be filed pursuant to Regulation 14A.

Item 14. Principal Accountant Fees and Services

Incorporated herein by reference is the information under the caption "Audit Committee Report" from the Company's definitive proxy statement to be filed pursuant to Regulation 14A.

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PART IV

Item 15. Exhibits and Financial Statement Schedules

(a)	1.	Financial Statements - See Item 8 and the Cross Reference Index on page 3 for information concerning the Company's consolidated financial statements and report of independent auditors.
	2.	Financial Statement Schedules - not applicable
	3.	Exhibits
		The following exhibits are filed with this report or, as noted, are incorporated by reference. Management contracts, compensatory plans and arrangements are marked with an asterisk (*).
3.a		Articles of Incorporation of the Company and amendments thereto were filed as Exhibits 3.a.i through 3.a.v to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2002, and are incorporated herein by reference. Articles of Amendment to the Articles of Incorporation were filed as Exhibits 3.1 and 3.2 to the Company's Current Report on Form 8-K filed on January 13, 2009, and are incorporated herein by reference.
3.b		Amended and Restated Bylaws of the Company were filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed on November 23, 2009, and are incorporated herein by reference.
4.a		Form of Common Stock Certificate was filed as Exhibit 4 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999, and is incorporated herein by reference.
4.b		Form of Certificate for Series A Preferred Stock was filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed on January 13, 2009, and is incorporated herein by reference.
4.c		Warrant for Purchase of Shares of Common Stock was filed as Exhibit 4.2 to the Company's Current Report on Form 8-K filed on January 13, 2009, and is incorporated herein by reference.
10		Material Contracts
10.a		Data Processing Agreement dated October 1, 1984 by and between Bank of Montgomery (First Bank) and Montgomery Data Services, Inc. was filed as Exhibit 10(k) to the Registrant's Registration Statement Number 33-12692, and is incorporated herein by reference.
10.b		First Bancorp Annual Incentive Plan was filed as Exhibit 10(a) to the Form 8-K filed on February 2, 2007 and is incorporated herein by reference. (*)
10.c		Indemnification Agreement between the Company and its Directors and Officers was filed as Exhibit 10(t) to the Registrant's Registration Statement Number 33-12692, and is incorporated herein by reference.
10.d		First Bancorp Senior Management Supplemental Executive Retirement Plan was filed as Exhibit 10.1 to the Company's Form 8-K filed on December 22, 2006, and is incorporated herein by reference. (*)
10.e		First Bancorp 1994 Stock Option Plan was filed as Exhibit 10(f) to the Company's Annual Report on Form 10-K for the year ended December 31, 2001, and is incorporated herein by reference. (*)

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10.f	First Bancorp 2004 Stock Option Plan was filed as Exhibit B to the Registrant's Form Def 14A filed on March 30, 2004 and is incorporated herein by reference. (*)
10.g	First Bancorp 2007 Equity Plan was filed as Appendix B to the Registrant's Form Def 14A filed on March 27, 2007 and is incorporated herein by reference. (*)
10.h	Employment Agreement between the Company and Anna G. Hollers dated August 17, 1998 was filed as Exhibit 10(m) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998, and is incorporated by reference (Commission File Number 000-15572). (*)
10.i	Employment Agreement between the Company and Teresa C. Nixon dated August 17, 1998 was filed as Exhibit 10(n) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998, and is incorporated by reference (Commission File Number 000-15572). (*)
10.j	Employment Agreement between the Company and Eric P. Credle dated August 17, 1998 was filed as Exhibit 10(p) to the Company's Annual Report on Form 10-K for the year ended December 31, 1998, and is incorporated herein by reference (Commission File Number 333-71431).(*)
10.k	Employment Agreement between the Company and John F. Burns dated September 14, 2000 was filed as Exhibit 10.w to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000 and is incorporated herein by reference. (*)
10.l	Employment Agreement between the Company and R. Walton Brown dated January 15, 2003 was filed as Exhibit 10(b) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003 and is incorporated herein by reference. (*)
10.m	Amendment to the employment agreement between the Company and R. Walton Brown dated March 8, 2005 was filed as Exhibit 10.n to the Company's Annual Report on Form 10-K for the year ended December 31, 2004 and is incorporated herein by reference. (*)
10.n	Employment Agreement between the Company and Jerry L. Ocheltree was filed as Exhibit 10.1 to the Form 8-K filed on January 25, 2006, and is incorporated herein by reference. (*)
10.o	First Bancorp Long Term Care Insurance Plan was filed as Exhibit 10(o) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004, and is incorporated by reference. (*)
10.p	Advances and Security Agreement with the Federal Home Loan Bank of Atlanta dated February 15, 2005 was attached as Exhibit 99(a) to the Form 8-K filed on February 22, 2005, and is incorporated herein by reference.
10.q	Description of Director Compensation pursuant to Item 601(b)(10)(iii)(A) of Regulation S-K was filed as Exhibit 10.q to the Company's Annual Report on Form 10-K for the year ended December 31, 2008 and is incorporated herein by reference.
10.r	Letter Agreement, dated January 9, 2009, including Securities Purchase Agreement—Standard Terms, between First Bancorp and the United States Department of the Treasury, is incorporated herein by reference to the Company’s Form 8-K Current Report filed on January 13, 2009.
10.s	

Purchase and Assumption Agreement among Federal Deposit Insurance Corporation, Receiver of Cooperative Bank, Federal Deposit Insurance Corporation and First Bank dated as of June 19, 2009 was filed as Exhibit 10.1 to the Company's Form 8-K filed on June 24, 2009.

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10.t	Form of Waiver by Senior Officers (TARP Capital Purchase Program) was filed as Exhibit 10.a to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009 and is incorporated herein by reference.
10.u	Form of Restricted Stock Award Agreement under the First Bancorp 2007 Equity Plan. (*)
10.v	First Bancorp Employees' Pension Plan, including amendments. (*)
12	Computation of Ratio of Earnings to Fixed Charges
21	List of Subsidiaries of Registrant.
23	Consent of Independent Registered Public Accounting Firm, Elliott Davis, PLLC
31.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002.
31.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002.
32.1	Chief Executive Officer Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Chief Financial Officer Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.1	Certification of Principal Executive Officer pursuant to the Emergency Economic Stabilization Act of 2008.
99.2	Certification of Principal Financial Officer pursuant to the Emergency Economic Stabilization Act of 2008.
(b)	Exhibits - see (a)(3) above
(c)	No financial statement schedules are filed herewith.

Copies of exhibits are available upon written request to: First Bancorp, Anna G. Hollers, Executive Vice President, P.O. Box 508, Troy, NC 27371

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, FIRST BANCORP has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Troy, and State of North Carolina, on the 16th day of March 2010.

First Bancorp

By: /s/ Jerry L. Ocheltree
Jerry L. Ocheltree
President, Chief Executive Officer and Treasurer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed on behalf of the Company by the following persons and in the capacities and on the dates indicated.

Executive Officers

/s/ Jerry L. Ocheltree
Jerry L. Ocheltree
President, Chief Executive Officer and Treasurer

/s/ Anna G. Hollers Anna G. Hollers Executive Vice President Chief Operating Officer / Secretary March 16, 2010	/s/ Eric P. Credle Eric P. Credle Executive Vice President Chief Financial Officer (Principal Accounting Officer) March 16, 2010

Board of Directors

/s/ Thomas F. Phillips Thomas F. Phillips Chairman of the Board Director March 16, 2010	/s/ Jerry L. Ocheltree Jerry L. Ocheltree Director March 16, 2010
/s/ Jack D. Briggs Jack D. Briggs Director March 16, 2010	/s/ George R. Perkins, Jr. George R. Perkins, Jr. Director March 16, 2010
/s/ R. Walton Brown R. Walton Brown Director March 16, 2010	/s/ Frederick L. Taylor II Frederick L. Taylor II Director March 16, 2010
/s/ David L. Burns	/s/ Virginia C. Thomasson

David L. Burns
Director
March 16, 2010

Virginia C. Thomasson
Director
March 16, 2010

/s/ John F. Burns
John F. Burns
Director
March 16, 2010

/s/ Goldie H. Wallace
Goldie H. Wallace
Director
March 16, 2010

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/s/ Mary Clara Capel
Mary Clara Capel
Director
March 16, 2010

/s/ James C. Crawford, III
James C. Crawford, III
Director
March 16, 2010

/s/ James G. Hudson, Jr.
James G. Hudson, Jr.
Director
March 16, 2010

/s/ Dennis A. Wicker
Dennis A. Wicker
Director
March 16, 2010

/s/ John C. Willis
John C. Willis
Director
March 16, 2010