INTERAGENCY BANK MERGER ACT APPLICATION  
(FR 2070) 

submitted by  
FIRST BANK  

to the  
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  

and the  
OFFICE OF THE NORTH CAROLINA COMMISSIONER OF BANKS  

with a copy to the  
FEDERAL DEPOSIT INSURANCE CORPORATION  

in connection with the Agreement and Plan of Merger and Reorganization  

by and between  
FIRST BANCORP  

and  
GRANDSOUTH BANCORPORATION  

August __, 2022
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REQUEST FOR CONFIDENTIAL TREATMENT

This Notification contains information, including trade secrets and commercial or financial information about the parties, which constitutes confidential information within the purview of Exemption 4 of the Freedom of Information Act and its implementing regulations. See 5 U.S.C. § 552(b)(4) (“FOIA”). As a result, the parties respectfully request confidential treatment of the information included in the confidential portions of this Notification and in certain exhibits submitted with this Notification marked “confidential” or for which confidential treatment may otherwise be requested (the “Confidential Material”). The Confidential Material contains highly sensitive, non-public, business, financial and personal information regarding the parties to the proposed transactions. The Confidential Material includes information regarding proposed business, operations and strategic plans, including confidential commercial and financial information and trade secrets, that are not otherwise available to the public, counterparties, and competitors. Public disclosure of the Confidential Material would result in the loss of competitive position for the parties and, in fact, may place the parties at a competitive disadvantage. The parties believe that public disclosure of the Confidential Material is not necessary to satisfy FOIA requirements. The Confidential Material may also be exempt from disclosure under other provisions of law.

Exemption 4 of FOIA protects confidential information which constitutes “trade secrets” and certain other proprietary “commercial or financial information” which is “privileged or confidential”. 5 U.S.C. § 552(b)(4). This exemption recognizes that the protection of private commercial interests can and often does outweigh the public’s right to government information. As established by the U.S. Supreme Court, the purpose of FOIA is to shed light on an agency’s performance of its statutory duties, which the parties submit would not be materially served by the disclosure of any of the Confidential Material. Such disclosures could, however, result in a material economic disadvantage to the parties.

Additionally, we note the ruling of the U.S. Supreme Court in Food Marketing Institute v. Argus Leader Media, 139 S. Ct. 2356 (2019), and the Federal Reserve’s 2020 promulgating release on the revisions to its FOIA Rules. In Food Marketing, the Court stated the word “confidential” means something customarily kept private by the person (entity) communicating it. It went on to reject the “substantial competitive harm” requirement traditionally imposed by agencies and the Federal Reserve as a “relic from a bygone era”. The Court specifically held that commercial or financial information that is both customarily and actually treated as private by its owner “is ‘confidential’ within the meaning of Exemption 4.” In its promulgating release in response to the Court’s ruling, the Federal Reserve noted:

- A submitter of information need only identify information that is confidential and state that the information is not publicly available (pages 17-18);

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The Federal Reserve has “removed all references in the (Federal Reserve FOIA rules) to the “competitive harm” test” (page 21); and

Under Rule 261.17 reasonable detail and a good faith effort to identify the confidential information is sufficient.

The parties request that the Federal Reserve give them reasonable advance notice of any intent to deny the above requests and/or any decision to release any portion of the Confidential Material so that they may present additional support for these requests. Please direct notices to Elizabeth B. Bostian, Executive Vice President/General Counsel, First Bancorp, 300 SW Broad Street, Southern Pines, NC 28387, ebostian@localfirstbank.com, (336) 286-8055 and Robert A. Singer, Brooks, Pierce, McLendon, Humphrey & Leonard, LLP, P. O. Box 26000, Greensboro, NC 27420-6000, rsinger@brookspierce.com, (336) 271-3123.
INTERAGENCY BANK MERGER ACT APPLICATION

Check all that apply:

Type of Filing
☐ Affiliate/Corporate Reorganization
☐ Combination with Interim Depository Institution
☒ Nonaffiliate Combination
☐ Other________________________

Form of Transaction
☒ Merger
☐ Consolidation
☐ Purchase and Assumption
☐ Branch Purchase and Assumption
☐ Other____________________

Filed Pursuant To
☒ 12 U.S.C. 1828(c)
☐ 12 U.S.C. 181 5(d)(2)
☐ 12 U.S.C. 1815(d)(3)
☐ 12 U.S.C. 215, 215a
☐ 12 U.S.C. 1815(a)
☐ Other________________________

Applicant Depository Institution

First Bank
Name
300 SW Broad Street
Street
Southern Pines North Carolina
City State

Target Institution

GrandSouth Bank
Name
381 Halton Road
Street
Greenville South Carolina
City State

Resultant Institution (if different than Applicant)

Same as Applicant

Contact Persons

Elizabeth B. Bostian
Executive Vice President/Chief Financial Officer
First Bank
300 SW Broad Street
Southern Pines, NC 28387
Telephone: (336) 286-8055
Email: ebo st ian@localfirstbank.com

Robert A. Singer
Brooks Pierce McLendon Humphrey & Leonard, LLP
230 North Elm Street
Suite 2000
Greensboro, NC 27401
Telephone: (336) 271-3123
Email: RSinger@brookspierce.com
ITEM 1 – DESCRIPTION OF THE TRANSACTION

Purpose.

Please see Confidential Exhibit A (Confidential Overview). The boards of directors of First Bancorp, First Bank, GSB and GSB Bank believe that, by bringing together two complementary, financially sound institutions, the Bank Merger will create a larger and stronger banking institution positioned for the generation of stronger earnings and greater shareholder value. First Bank seeks to add to its existing branch network so as to increase its presence in South Carolina, particularly in South Carolina’s key metropolitan markets. In addition, the locations of GSB’s upstate South Carolina branches will enhance First Bank’s existing branch footprint in the Charlotte, NC/SC Banking Market. The Bank Merger will increase the convenience offered to customers through an expanded branch network and will make additional banking products and services available to the current customers of each bank.

Additional benefits of the Bank Merger also include, but are not limited to: (i) more efficient management of capital resources (e.g., maintaining targeted regulatory capital ratios); (ii) more efficient management of liquidity (e.g., optimizing of cash balances and investment portfolio); (iii) reduction in administrative burden (e.g., reducing multiple legal entity board meetings and redundant corporate governance activities); (iv) elimination of duplicative activities (e.g., eliminating multiple Call Reports); and (v) reduction in operating expenses (e.g., eliminating expenses associated with the above-listed activities). In addition, the Bank Merger will facilitate access by GSB Bank’s and First Bank’s customers to more product and services offerings including, but not limited to, commercial and retail banking, mortgage banking, cash management, wealth management, and insurance products. Lastly, the Surviving Bank, due to its larger revenue stream, should be positioned to absorb certain fixed costs better than either First Bank or GSB Bank could on a stand-alone basis.

Structure.

GSB Bank will merge with and into First Bank pursuant to the Bank Merger Agreement immediately following the consummation of the Merger. The Merger Agreement provides that GSB, the bank holding company for GSB Bank, will merge with and into First Bancorp, with First Bancorp continuing as the surviving corporation. As consideration for the Merger, GSB’s shareholders will receive 0.910 (the “Merger Consideration”) of a share of First Bancorp’s common stock (“FBNC Common Stock”) for each issued and outstanding share of GSB common stock (“GSB Common Stock”). GSB’s outstanding Series A Preferred Stock will be converted into GSB Common Stock immediately prior to the effectiveness of the Merger on a one-for-one basis (“GSB Preferred Stock”). Outstanding options of GSB to acquire GSB Common Stock will be converted into options to acquire FBNC Common Stock using the same exchange ratio. As of the date of the Merger Agreement, the aggregate Merger Consideration equaled approximately $___ million. The parties anticipate closing the Merger and the Bank Merger during the fourth quarter of 2022.
Significant Terms and Conditions.

Merger Consideration Paid by First Bancorp. Each share of GSB Common Stock will be automatically converted into the right to receive the Merger Consideration. Current cash resources of First Bank and First Bancorp are adequate to fund the Merger. Neither First Bancorp nor First Bank contemplates entering into any financing arrangements in connection with the Merger. Neither First Bancorp nor First Bank has any plans to raise additional equity or incur debt in connection with the Merger.

Approvals. The Merger is subject to the approval of the holders of a two-thirds of the outstanding shares of GSB Common Stock and the approval of the holders of a two-thirds of the outstanding shares of GSB Common Stock and GSB Preferred Stock. A vote of First Bancorp’s shares is not required pursuant to applicable North Carolina law or the rules of the Nasdaq Global Select Market. First Bancorp will file a Form S-4 Registration Statement, including therein a Proxy Statement/Prospectus, with the Securities and Exchange Commission on or about July ____, 2022. The Proxy Statement/Prospectus will be distributed to the shareholders of GSB. GSB and First Bancorp currently anticipate that GSB will hold its shareholder meeting on or about ______________, 2022.

The Merger is also subject to the approval of the North Carolina Commissioner of Banks.

Other Terms of the Merger

- As required by applicable South Carolina law, effective upon and subject to the Merger, all outstanding options to acquire GSB Common Stock will converted into options to acquire FBNC Common Stock at an exchange ratio of 0.910.

- The Merger Agreement contains usual and customary representations and warranties that First Bancorp and GSB made to each other as of specific dates. GSB has undertaken normal and customary restrictive covenants until the effective time of the Merger.

- The Merger Agreement also contains termination provisions that are common to merger agreements in the banking industry. The Merger Agreement may be terminated in certain circumstances, including: (i) by mutual written agreement of the parties; (ii) by either party in the event of a breach by the other party of any representation, warranty, covenant, or other agreement contained in the Merger Agreement which has not been cured within 30 days and where such breach is reasonably likely to permit such party to refuse to consummate the Merger; (iii) by either party in the event that any consent of any required regulatory authority is denied by final action or any law or order prohibiting the Merger shall become final and nonappealable; (iv) by either party if the requisite GSB shareholder approval is not obtained; (v) by either party in the event that the Merger shall not have been consummated by May 30, 2023; (vi) by First Bancorp in the event that the GSB’s board of directors has not recommended for approval the Merger Agreement to GSB shareholders; or (vii) by GSB’s board of directors, prior to GSB shareholder approval, to enter into a superior proposal. Upon termination of the Merger Agreement by (i) First Bancorp if the GSB board of directors has not recommended for approval the Merger Agreement to its
shareholders, or (ii) GSB in order to enter into a superior proposal, GSB may be required to pay First Bancorp a termination fee of $7.2 million.

- The Merger is intended to qualify as tax-free reorganization within the meaning of Section 368(a) of the Internal Revenue Code.

*Corporate Governance.* The Merger Agreement provides that at the closings of the Merger and the Bank Merger, two members of GSB’s board of directors will join the boards of directors of First Bancorp and First Bank. As of the date of this filing, the two members of GSB’s board of directors who will join the boards of directors of First Bancorp and the Surviving Bank are Mason Y. Garett and J. Randolph Potter. Each will be subsequently nominated to serve a one year term.

Simultaneously with the execution of the Merger Agreement, James B. Schwiers executed Employment Agreement with First Bancorp and First Bank, which agreement will become effective at the effective time of the Merger. Mr. Schwiers will serve as President-South Carolina Banking of First Bank and additionally will assist in the systems conversions and integration of GSB Bank into First Bank. A copy of the Employment Agreement is provided in *Confidential Exhibit O* to this Application as supplemental material.

*Bank Merger.* The Bank Merger will immediately follow the Merger. No consideration will be paid as part of the Bank Merger.

**ITEM 2 – OTHER FILINGS.**

A duplicate of this Application will be filed with the North Carolina Commissioner of Banks pursuant to N.C. Gen. Stat. § 53C-7-201 et seq.

First Bancorp is filing with the Federal Reserve Bank of Richmond a Notification on Form FR Y-3N with respect to the Merger simultaneously with the filing of this Application.

**ITEM 3 – BUSINESS STRATEGIES AND OPERATIONS.**

First Bank does not anticipate any significant changes in its business strategies or operations or the introduction of new lines of business as a result of the Bank Merger. It will generally expand the products and services offered to the Surviving Bank’s customers following the Bank Merger to include those competitive products and services currently offered by First Bank and GSB Bank. A copy of First Bank’s business plan is attached to the Application as *Confidential Exhibit E*.

**ITEM 4 – AGREEMENT AND RESOLUTIONS.**

(a) A copy of the Agreement and Plan of Merger between First Bank and GSB Bank is attached to this Application as *Exhibit B*.

(b) A copy of the Agreement and Plan of Merger and Reorganization between First Bancorp and GSB is attached to this Application as *Exhibit C*. 
A copy of the joint resolutions of the Boards of Directors of First Bancorp and First Bank is attached to this Application as Confidential Exhibit F.

A copy of the joint resolutions of the Boards of Directors of GSB and GSB Bank is attached to this Application as Confidential Exhibit G.

ITEM 5 – LEGAL AND REGULATORY ISSUES.

The management teams of First Bancorp, First Bank, GSB and GSB Bank are not aware of any issues regarding the permissibility of the Bank Merger under applicable state or federal laws or regulations. There are no nonbank activities being acquired as a result of the Bank Merger.

ITEM 6 – NONCONFORMING OR IMPERMISSIBLE ASSETS OR ACTIVITIES.

The management teams of First Bancorp, First Bank, GSB and GSB Bank are not aware of any nonconforming or impermissible assets or activities held or conducted by First Bank or GSB Bank that the Surviving Bank may not be permitted to hold or conduct under relevant law or regulation.

ITEM 7 – FINANCIAL INFORMATION.

(a) A copy of the Pro Forma Balance Sheet of First Bank as of June 30, 2022 is attached to this Application as Confidential Exhibit H.

(b) Copies of the Projected Balance Sheets and Projected Income Statements of First Bank as of and for the years ending December 31, 2023, 2024 and 2025 are attached to this Application as Confidential Exhibit I.

(c) A discussion of the valuation of GSB Bank and any anticipated goodwill and other intangible assets is attached to this Application as Confidential Exhibit J.

(d) Copies of the Pro Forma and Projected Regulatory Capital Schedule of First Bank as of June 30, 2022 and as of December 31, 2023, 2024 and 2025 are attached to this Application as Confidential Exhibit K.

ITEM 8 – DIRECTORS AND EXECUTIVE OFFICERS.

The following table lists the current directors and executive officers of First Bancorp and First Bank. As of the date of this filing, the two members of GSB’s board of directors who have been identified as joining the boards of directors of First Bancorp and First Bank as of the closings of the Merger and the Bank Merger are Mr. Garrett and Mr. Potter. In addition, Mr. Schwiers, President of GSB and GSB Bank will become President-South Carolina Banking of First Bank as of such closings.
<table>
<thead>
<tr>
<th>No.</th>
<th>Name and Address</th>
<th>Title with Surviving Institution</th>
<th>Principal Occupation if a Director</th>
<th>Shares Beneficially Owned in First Bancorp²</th>
</tr>
</thead>
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<tr>
<td>1.</td>
<td>Richard H. Moore</td>
<td>Director; Chief Executive Officer of First Bancorp</td>
<td>Chief Executive Officer of First Bancorp</td>
<td>112,192</td>
</tr>
<tr>
<td></td>
<td>300 SW Broad Street</td>
<td></td>
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<td></td>
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<tr>
<td></td>
<td>Southern Pines, NC 28387</td>
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<tr>
<td>2.</td>
<td>Michael G. Mayer</td>
<td>Director; President of First Bancorp and Chief Executive Officer of First Bank</td>
<td>President of First Bancorp and Chief Executive Officer of First Bank</td>
<td>51,096</td>
</tr>
<tr>
<td></td>
<td>300 SW Broad Street</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Southern Pines, NC 28387</td>
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</tr>
<tr>
<td>3.</td>
<td>Elizabeth B. Bostian</td>
<td>Executive Vice President/Chief Financial Officer of First Bancorp and First Bank</td>
<td>Not Applicable</td>
<td>___</td>
</tr>
<tr>
<td></td>
<td>300 SW Broad Street</td>
<td></td>
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<td></td>
<td>Southern Pines, NC 28387</td>
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<tr>
<td>4.</td>
<td>Adam Currie</td>
<td>Executive Vice President and Chief Banking Officer</td>
<td>Not Applicable</td>
<td>___</td>
</tr>
<tr>
<td></td>
<td>300 SW Broad Street</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td>Southern Pines, NC 28387</td>
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<tr>
<td>5.</td>
<td>Mary Clara Capel</td>
<td>Director</td>
<td>Former member of senior management as director of administration at Capel, Incorporated, a rug manufacturer, importer and exporter, Troy, North Carolina</td>
<td>14,297</td>
</tr>
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<td></td>
<td>300 SW Broad Street</td>
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<td></td>
<td>Southern Pines, NC 28387</td>
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<tr>
<td>6.</td>
<td>James C. Crawford, III</td>
<td>Director; Chairman of First Bancorp and First Bank</td>
<td>Former Director of Great Pee Dee Bancorp, Inc. (acquired by First Bancorp in 2008). Former CEO of B.C. Moore and Songs, Inc., a department store chain</td>
<td>84,273</td>
</tr>
<tr>
<td></td>
<td>300 SW Broad Street</td>
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<td></td>
<td>Southern Pines, NC 28387</td>
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² Includes the number of shares of First Bancorp beneficially owned by the individual on __________, 2022 as calculated under the provision of Schedule 14A promulgated by the Securities and Exchange Commission (“Schedule 14A”) and presented in First Bancorp’s Proxy Statement, dated __________, 2021.
<table>
<thead>
<tr>
<th></th>
<th>Name</th>
<th>Current Title</th>
<th>Previous Experience</th>
<th>Age</th>
<th>Compensation</th>
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<tr>
<td>7.</td>
<td>Suzanne S. Deferie</td>
<td>Director; Executive Vice President of First Bank from October 2017 until September 2019. Previously, President and Chief Executive Officer of ASB Bancorp (acquired by First Bancorp in 2017)</td>
<td>Retired</td>
<td>83,172</td>
<td></td>
</tr>
<tr>
<td>8.</td>
<td>Abby J. Donnelly</td>
<td>Director</td>
<td>Chief Executive Officer of The Leadership &amp; Legacy Group, a consulting practice in leadership development and executive succession, Greensboro, North Carolina</td>
<td>5,329</td>
<td></td>
</tr>
<tr>
<td>9.</td>
<td>John B. Gould</td>
<td>Director</td>
<td>President of Cason Companies, Asheville, North Carolina</td>
<td>40,597</td>
<td></td>
</tr>
<tr>
<td>10.</td>
<td>John W. McCauley</td>
<td>Director</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11.</td>
<td>Carlie C. “Mack” McLamb, Jr.</td>
<td>Director</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12.</td>
<td>Dexter V. Perry</td>
<td>Director</td>
<td>Certified Financial Planner and Investment Advisor with One Providence Capital, LLC, an investment advisory firm, Cary, North Carolina; previously, a director of Mechanics &amp; Farmers Bank, Durham, NC, and its holding company, M&amp;F Bancorp.</td>
<td>-0-</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Name</td>
<td>Address</td>
<td>Position</td>
<td>Title</td>
<td>Amount</td>
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</tr>
<tr>
<td>13.</td>
<td>O. Temple Sloan, III</td>
<td>300 SW Broad Street</td>
<td>Director</td>
<td>Former CEO and President of General Parts, Inc., the largest privately-owned auto parts supplier in the U.S.A.; current director of Golden Corral Corporation</td>
<td>11,619</td>
</tr>
<tr>
<td>14.</td>
<td>Frederick L. Taylor, II</td>
<td>300 SW Broad Street</td>
<td>Director</td>
<td>President of Troy Lumber Company, Troy, North Carolina</td>
<td>36,867</td>
</tr>
<tr>
<td>15.</td>
<td>Virginia Thomasson</td>
<td>300 SW Broad Street</td>
<td>Director</td>
<td>CPA with the firm of Brownback &amp; Thomasson, LLP, Southern Pines, North Carolina</td>
<td>30,923</td>
</tr>
<tr>
<td>16.</td>
<td>Dennis A. Wicker</td>
<td>300 SW Broad Street</td>
<td>Director</td>
<td>Partner in the law firm of Nelson Mullins Riley and Scarborough, LLP, Raleigh, North Carolina; director of Coca Cola Bottling Company Consolidated</td>
<td>24,627</td>
</tr>
</tbody>
</table>

**ITEM 9 – LITIGATION; INVESTIGATION.**

The management teams of First Bancorp, First Bank, GSB and GSB Bank are not aware of any litigation or investigation by local, state or federal authorities involving First Bank, GSB Bank or any of their respective subsidiaries that is currently pending or was resolved within the last two years.
ITEM 10 – CONVENIENCE AND NEEDS.

The Bank Merger will meet the convenience and needs of the community by making the greater resources of the Surviving Bank available to provide loans and other products and services to the communities currently served by First Bank and GSB Bank, and by expanding the retail outlets available to the present customers of both. Furthermore, First Bank provides a variety of alternative service delivery systems that are readily available to geographies and individuals of different income levels. These systems include online banking, mobile banking, and remote deposit capture.

Following the Bank Merger, the Surviving Bank will generally expand the products and services currently offered to GSB Bank’s customers and First Bank’s customers to include the same range of competitive products and services currently offered by First Bank and GSB Bank, respectively.

First Bank and GSB Bank monitor the needs of the communities they serve through a variety of survey and outreach techniques and enhance their products and services to meet those needs. Following the closing of the Bank Merger, the Surviving Bank will continue to monitor the needs of those communities and to adjust and expand its products, services, digital capabilities and facilities to enhance the convenience of its customers and to further address the needs of those communities.

ITEM 11 – COMMUNITY REINVESTMENT ACT (“CRA”) INFORMATION.

(a) Both First Bank and GSB Bank maintain policies and engage in activities designed to ensure that the existing and anticipated credit needs of their respective communities, including the low- and moderate-income neighborhoods of such communities, are met. These policies and activities are described in the most recent CRA evaluations of First Bank and GSB Bank noted below. Following the Bank Merger, the Surviving Bank will continue to adhere to these policies, will continue its community outreach and support activities, and will continue to offer and to expand its products and services in order to serve the credit needs of these communities. First Bank’s most recent CRA (large bank) performance evaluation was received as of February 11, 2019 in which it received a “Satisfactory” rating (it received “high satisfactory” ratings on the Lending Test, the Investment Test and the Service Test). GSB Bank’s most recent CRA performance (intermediate small institution) evaluation was received as of ________, 20__ and in which it received a “Satisfactory” rating. First Bank’s CRA performance evaluation is linked to this Application (federalreserve.gov/apps/CRAPubWeb/CRA/BankRatingsResult) and GSB Bank’s CRA performance evaluation is attached to this Application as Exhibit L.

(b) First Bank offers a variety of programs, activities, products and services as described in detail in its CRA performance evaluation linked hereto.

(c) The anticipated CRA assessment areas of the Surviving Bank following the Bank Merger are: Asheville-Brevard, NC; Beaufort County, NC Non MSA; Blacksburg,
ITEM 12 – FINANCIAL STABILITY.

The management teams of First Bancorp and First Bank are not aware of any effects the Merger or the Bank Merger may have on the stability of the United States banking and financial systems. Following the Merger and the Bank Merger, First Bancorp will have, on a consolidated basis, total assets of less than $12.0 billion and will continue its community bank business strategy of meeting the commercial banking needs of the communities it serves. Please see Confidential Exhibit H attached hereto. With respect to First Bank’s consolidated assets exceeding the $10.0 billion threshold as of December 31, 2021, First Bancorp and First Bank have prepared for the increased regulatory requirements and with respect to the Federal Reserve Bank’s Regional Banking Organization supervisory program and regulations, direct regulation by the Consumer Financial Protection Bureau and other increased regulatory requirements. Please see the relevant discussion contained in the Confidential Overview (Confidential Exhibit A).


The Riegle-Neal Interstate Banking and Branching Efficiency Act (the “Riegle-Neal Act”) as codified in Section 44 of the Federal Deposit Insurance Act (12 U.S.C. § 1831u) authorizes the responsible agency to approve, subject to certain conditions, an “interstate merger transaction”. An interstate merger transaction is a merger transaction between insured banks with different home states. A state bank’s home state is the state under whose law the bank was chartered. First Bank and GSB Bank are chartered by and headquartered in the State of North Carolina and the State of South Carolina, respectively. First Bank maintains branch offices predominantly in North Carolina, with six branches in South Carolina. GSB Bank maintains eight branch offices in South Carolina.

ITEM 14 – OFFICES.

No offices of GSB Bank will be closed or consolidated with branch offices of First Bank in connection with the Merger and Bank Merger or will otherwise not become branch offices of the Surviving Bank. First Bank and GSB Bank do not operate in any common Banking Market.
ITEM 15 – INSURANCE AFFILIATION.

First Bank will not become subject to any supervision by a state insurance regulator as a result of the Bank Merger.

ITEM 16 – EFFECTS OF PROPOSED TRANSACTION ON EXISTING COMPETITION.

First Bank and GSB Bank do not operate banking offices in any common Banking Market. Accordingly, no Herfindahl-Hirschman Index (“HHI”) Analysis has been performed. First Bank believes that the Bank Merger will have no effect on competition in any Banking Market.

ITEM 17 – BRANCH SALE OR OTHER DIVESTITURE.

Please see the response to Item 16. First Bank does not believe that a branch sale or other divestiture is necessary to mitigate any competitive effect of the Bank Merger.

ITEM 18 – MANAGEMENT INTERLOCKING RELATIONSHIPS.

First Bank does not have, and following the Bank Merger the Surviving Bank will not have, any management interlocking relationships.

ITEM 21 – INVESTMENT IN BANK PREMISES.

First Bank’s investment in bank premises is, and following the Bank Merger will be, consistent with the provisions of Section 208.21 of Regulation H.
CERTIFICATION

I hereby certify that our board of directors, by resolution, has authorized the filing of this application, and that to the best of our knowledge, it contains no misrepresentations or omissions of material facts. In addition, I agree to notify the responsible regulatory agency if the facts described in the filing materially change prior to receiving a decision or prior to consummation. Any misrepresentation or omission of a material fact constitutes fraud in the inducement and may subject us to legal sanctions provided by 18 U.S.C. § 1001 and § 1007.

I acknowledge that approval of this application is in the responsible agency. Actions or communications, whether oral, written, or electronic, by an agency or its employees in connection with this filing, including approval if granted, do not constitute a contract, either express or implied, or any other obligation binding upon the responsible regulatory agency, other federal banking agencies, the United States, any other agency or entity of the United States, or any officer or employee of the United States. Such actions or communications will not affect the ability of any federal banking agency to exercise its supervisory, regulatory, or examination powers under applicable laws and regulations. I further acknowledge that the foregoing may not be waived or modified by any employee or agency of a federal banking agency or of the United States.

Signed this___ day of August, 2022.

First Bank ___________________________ by
Applicant

__________________________________________
Signature of Authorized Officer

Michael G. Mayer __________________________
Print or Type Name

President and Chief Executive Officer
Title
EXHIBIT A

CONFIDENTIAL OVERVIEW

I. Introduction

First Bank, a North Carolina member bank (“First Bank”), is filing this Application with respect to the merger of GrandSouth Bank, a South Carolina-chartered, non-member bank (the “GSB Bank”), with and into First Bank (the “Bank Merger”), with First Bank continuing as the surviving bank (the “Surviving Bank”). The Bank Merger is memorialized in an Agreement and Plan of Merger (“Bank Merger Agreement”) attached hereto as Exhibit B and also attached as an exhibit to the Agreement and Plan of Merger and Reorganization, dated as of June 21, 2022 (the “Merger Agreement”), by and between First Bancorp (“First Bancorp”), a North Carolina bank holding company and the holder of all of the capital stock of First Bank, and GrandSouth Bancorporation (“GSB”), a South Carolina bank holding company and the holder of all of the capital stock of GSB Bank, providing for the merger of GSB with and into First Bancorp (the “Merger”). A copy of the Merger Agreement is attached hereto as Exhibit C.

Following the Bank Merger, First Bank is expected to be the largest community bank headquartered in North Carolina with approximately $11.9 billion in assets, $10.5 billion in deposits, and $7.0 billion in loans. With the addition of GSB’s eight branches, First Bank will operate through 102 branches across North Carolina and 14 branches in South Carolina, and will benefit from an enhanced revenue stream and geographic footprint.

Notices of the proposed Bank Merger are being published beginning on August __, 2022 and August __, 2022, respectively, in The Pilot (Southern Pines) and the Greenville News (Greenville), newspapers of general circulation in the communities where the main offices of First Bank and the Bank are located, respectively. The form of newspaper notice is included as Exhibit D hereto, and a publisher’s affidavit of notice for each publication will be supplementally filed.

II. Parties to the Transaction

First Bancorp. First Bancorp is a registered bank holding company incorporated under the laws of North Carolina and headquartered in Southern Pines, North Carolina. First Bancorp holds all of the outstanding shares of capital stock of First Bank. At June 30, 2022, First Bancorp had shareholders’ equity of approximately $______ million.

First Bank. First Bank is a North Carolina-chartered, member bank headquartered in Southern Pines, North Carolina. First Bank is a full service commercial bank that offers a wide range of traditional banking products and services for small-to-medium-sized businesses, professionals, and other individuals in its markets, including commercial and consumer loan and deposit services, mortgage lending services, and wealth management services. As of the date of this Application, First Bank has 108 branches in operation, of which 102 branches are in North Carolina and six branches are in South Carolina.

4881-1389-3159.v2
Ranked by assets, First Bank was the fifth largest bank headquartered in North Carolina as of June 30, 2022. At that date, First Bank had, on a consolidated basis, assets of $___ billion, loans of $___ billion and deposits of $___ billion.

**GrandSouth Bancorporation.** GSB is a registered bank holding company incorporated under the laws of South Carolina and headquartered in Greenville, South Carolina. GSB holds all of the outstanding shares of capital stock of GSB Bank. At June 30, 2022, GSB had shareholders’ equity of approximately $____ million.

**GSB Bank.** GSB Bank is a South Carolina-chartered, nonmember bank headquartered in Greenville, South Carolina. GSB Bank engages in the general banking business in the following Banking Markets: Charleston, SC; Columbia, SC; Greenville, SC; and Orangeburg, SC. Its operations are primarily directed to individuals and small to medium-sized businesses located in its market areas and its deposits and loans are derived primarily from customers in those areas. GSB Bank provides most traditional commercial and consumer banking services, including personal and commercial checking and savings accounts, money market accounts, certifications of deposit, individual retirement accounts and related business and individual banking services. GSB Bank’s lending activities are concentrated in commercial lending to small-to-medium sized businesses located primarily in its market area, construction and development loans and various consumer-type loans to individuals, including installment loans, mortgage loans and equity lines of credit. Additionally, through its CarBucks division, GSB Bank operates a specialty floor plan lending business across the Southeast and Midwest. GSB Bank currently operates through eight branches in South Carolina. At June 30, 2022, GSB Bank had, on a consolidated basis, assets of $1.3 billion, loans of $900 million and deposits of $1.1 billion.

**III. The Bank Merger**

As set forth more fully below, the proposed Bank Merger satisfies the Bank Merger Act criteria. It will not result in a monopoly or otherwise substantially lessen competition. Both First Bank and GSB Bank are well capitalized and well managed, as are their holding companies. First Bank, as the Surviving Bank, will continue to be well capitalized and well managed following the Bank Merger. In addition, First Bank will not, as the Surviving Bank, acquire any nonconforming or impermissible assets or activities. First Bank’s acquisition of new branch offices as a result of the Bank Merger is not subject to any restrictions under the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 nor will it have any effects upon the stability of the United States banking and financial systems.

**IV. Regulatory Considerations**

The following information addresses some of the important statutory and regulatory factors to be considered in evaluating this Notification.

- **Financial resources.** The financial resources of First Bancorp support a non-objection to this Notification. GSB had a Tier 1 leverage ratio of ___% as of June 30, 2022. First Bancorp and the Surviving Bank will remain well-capitalized following the proposed transactions, including pro forma Tier 1 leverage ratios of
___% for First Bancorp and ____% for the Surviving Bank as of December 31, 2022.

- **Managerial resources.** First Bancorp has a Board of Directors with significant expertise and experience in banking, financial and business matters and a team of seasoned bankers with extensive experience operating financial institutions. The competence and experience of the Board and the management team support a non-objection to this Notification. Two members of the Boards of GSB and GSB Bank will join the Boards of First Bancorp and the Surviving Bank. They are ______________ and ____________. In addition, as a result of the Merger, First Bancorp will employ the President of GSB and GSB Bank, James B. Schwiers, as the President-South Carolina Banking of First Bancorp and the Surviving Bank and additionally to assist in the systems conversions and integration of GSB Bank into First Bank. Please see [Confidential Exhibit N](#) to the Interagency Bank Merger Application filed by First Bank simultaneously herewith and incorporated herein by reference (subject to the Confidentiality Request submitted with this Notification).

- **Convenience and needs of the community.** The convenience and needs of the community support a non-objection to this Notification. First Bank received a “Satisfactory” rating on its most recent CRA examination (February 11, 2019), which included “High Satisfactory” ratings on the Lending, Investment and Service Tests. GSB Bank received a “Satisfactory” rating on its most recent CRA examination (______, 20__). The proposed transaction will meet the convenience and needs of the community by making the resources of the Surviving Bank available to provide loans and other products and services to the communities served by First Bank and GSB Bank and by expanding the retail outlets available to the present customers of both.

- **Expanded Products and Services.** The Surviving Bank will generally expand the products and services currently offered to GSB Bank’s customers and First Bank’s customers to include the same range of competitive products and services currently offered by First Bank and GSB Bank, respectively.

- First Bank and GSB Bank do not operate in any common Banking Market.

**V. Ten Billion Dollar Threshold.**

As a consequence of First Bancorp’s acquisition of Select Bancorp on October 14, 2021, at December 31, 2021, First Bank’s consolidated assets exceeded the $10.0 billion threshold. In advance of December 31 and continuing thereafter, First Bank, assisted by Strategic Risk Associates, its consultant (“**SRA**”), engaged in both a current readiness and gap review and the preparation of an actions road map establishing the actions necessary to rectify gaps identified to enhance current capabilities, to establish comprehensive plans, programs, policies and practices required or otherwise relevant for a greater than $10.0 billion bank, and to address future needs arising from organic growth and additional acquisitions meeting the conditions of its strategic plan.
In the review of its current readiness to meet the challenges presented by exceeding the $10.0 billion threshold, First Bank and SRA evaluated a number of different subject areas:

- Regulatory Compliance Readiness;
- Other Risk and Control Issues;
- Risk Maturity Framework;
- Current Preparedness Implementation.

In addition, First Bank and CRA considered Anticipated Future Preparedness Implementation.

**Regulatory Compliance.** In its current Regulatory Compliance Readiness review, First Bank considered that it would be directly regulated by the Consumer Finance Protection Bureau (“CFPB”), would be impacted by reduced interchange fees and increased expenses resulting from applicable federal law, increased staffing and systems changes expansion, and would be subject to expanded scrutiny in examinations by prudential regulators in areas outside of the CFPB’s purview, and increased regulatory scrutiny on other matters.

Consequently, First Bank and SRA engaged in a gap assessment and enhancement review of First Bank’s then existing compliance management system, including its systems, programs, policies, procedures, practices and controls related to key regulations across its business units (“CSM”). Areas subject to this CSM gap assessment included:

- AML/BSA program and policies (case management, beneficial ownership practices)
- HMDA;
- CRA;
- Fair lending;
- UDAAP controls;
- Deposit compliance;
- Lending compliance (consumer, mortgage, commercial and SBA);
- Loan operations;
- Collections (loss mitigation);
- Credit administration;
- Bankcard services;
- Call center operations;
- Marketing and public relations;
- Vendor management;
- Digital banking;
- Information security (staffing, patch management and user controls)
- IT security, access provisioning; business continuity, and oversight structure;
- Human resources;
- Change management (new and changed products and services);
- Compliance staffing;
- Compliance monitoring systems (scheduling, staffing and correction management);
• Complaint management;
• Vendor management (due diligence, qualification vetting, relationship set-up, and news and events monitoring);
• Loan extension and renewals;
• Loan pricing;
• Commercial loan funding controls;
• Covenant tracking; and
• Human resources (training, including service excellence culture).

At the same time First Bank and SRA reviewed and performed a gap assessment and enhancement review of the systems, programs, policies, procedures, practices, and controls in the following areas:

• Risk Governance – Board and Executive Management Governance Structure; Risk Culture; Risk Appetite Oversight and Policy Management; Executive Compensation, including Risk Performance; and First and Second Talent Management (Staffing, Training and Performance Analyses);
• Data Management Governance, Staffing, Roadmap, Policies and Processes;
• Department Risk Assessment and Risk Response; Compliance and Legal Risk Management; Financial Crimes (AML/BSA and OFAC); Third Party Management; and Business Continuity and Resilience;
• Enterprise Risk Profile and Risk Assessments Results; Risk Appetite Data Measurement and Reporting; Issue and Action Plan Management; Risk Acceptance Process; and Industry Risk Event Monitoring and Emerging Risk Identification;
• Independent Assessments, including Internal Audit (Staffing, Outsourcing, Continuity of Monitoring, and Quality Assurance Programs); Loan/Credit Risk Review; Regulatory Feedback and Actions, External Audit; and Credit Rating Agencies and Industry Analysts;
• Strategic Planning and Imperative Management; Competitive Analyses and Benchmarking; Capital and Liquidity Stress Testing and Scenario Analyses; Credit Stress Testing and Scenario Analyses;
• Economic Risk and Economic Forecast Analysis; and
• Enterprise Risk and Performance Dashboards; Model Development and Model Risk Management; Acquisition Modeling, Due Diligence and Risk Profile Analyses; Innovation Program; New Products and Services Strategies; Loss Event Management; and Risk Attribution Analyses.

Based on the foregoing and extensive reviews and analyses, First Bank and SRA prepared a Preparedness Implementation and Action Plan addressing gaps identified, establishing comprehensive plans, systems, programs, policies, practices, controls and capabilities necessary to enhance its current capabilities and to meet the needs and obligations resulting from its growth beyond the $10.0 billion threshold, and to prepare it to promptly address future needs and obligations arising from organic growth and additional acquisition. The great majority of the actions contained in this Plan have been successfully undertaken and additional actions are being implemented on a continuing basis. Management is confident that
First Bank is more than adequately prepared to acquire, systems convert, integrate and manage the operations of GSB in compliance with applicable law and regulatory expectations.
EXHIBIT C

AGREEMENT AND PLAN OF MERGER
AND REORGANIZATION
EXHIBIT D

FORM OF NEWSPAPER NOTICES
First Bank, 300 S.W. Broad Street, Southern Pines, NC 28387 intends to apply to the Federal Reserve Board for permission to merge with GrandSouth Bank, 381 Halton Road, Greenville, SC 29607 and to establish branches at the locations of GrandSouth Bank. The Federal Reserve considers a number of factors in deciding whether to approve the application, including the record of performance of applicant banks in helping to meet local credit needs.

You are invited to submit comments in writing on this application to the Federal Reserve Bank of Richmond, P.O. Box 27622, Richmond, VA 23261. Comments can also be sent electronically to comments.applications@rich.frb.org. The comment period will not end before ____________, 2022 (date – must be no less than 30 days from date of first publication). The Board’s procedures for processing applications may be found at 12 C.F.R. Part 262. Procedures for processing protested applications may be found at 12 C.F.R. 262.25. To obtain a copy of the Federal Reserve Board’s procedures, or if you need more information about how to submit your comments on the application, contact Brent Hassell, Assistance Vice President, at (804) 697-2633. The Federal Reserve will consider your comments and any request for a public meeting or formal hearing on the application if they are received in writing by the Reserve Bank on or before the last day of the comment period.
FORM OF NEWSPAPER NOTICE (NC)

Notice is given that applications have been made to the North Carolina Commissioner of Banks for consent for First Bancorp, 300 SW Broad Street, Southern Pines, NC 28387, to acquire by merger GrandSouth Bancorporation, 381 Halton Road, Greenville, SC 29607 and for First Bank, 300 SW Broad Street, Southern Pines, NC 28387, the commercial bank subsidiary of First Bancorp, to acquire by merger GrandSouth Bank, the commercial bank subsidiary of GrandSouth Bancorporation, 381 Halton Road, Greenville, SC 29607. The principal offices of First Bancorp and First Bank as the resulting company and bank of the mergers will be located in Southern Pines, N.C. The applications are being made pursuant to § 53C-7-202 and § 53C-10-202 of the North Carolina General Statutes. Interested persons may make written comment on the proposed mergers to the North Carolina Commissioner of Banks (4309 Mail Service Center, Raleigh, NC 27699-4309).
CONFIDENTIAL EXHIBIT E

FIRST BANK BUSINESS PLAN
CONFIDENTIAL EXHIBIT F

FIRST BANCORP AND FIRST BANK BOARD RESOLUTIONS
CONFIDENTIAL EXHIBIT G

GRANDSOUTH BANCORPORATION AND
GRANDSOUTH BANK BOARD RESOLUTIONS
CONFIDENTIAL EXHIBIT H

PRO FORMA BALANCE SHEET
CONFIDENTIAL EXHIBIT I

PROJECTED BALANCE SHEETS
AND PROJECTED INCOME STATEMENT
CONFIDENTIAL EXHIBIT J

VALUATION DISCUSSIONS
The management of First Bancorp and First Bank worked closely with the investment banking firm of Keefe, Bruyette & Woods (“KBW”) in valuing GSB and GSB Bank. KBW is a nationally-recognized firm that specializes in advising clients on bank merger and acquisition transactions.

KBW provided analyses to assist First Bancorp management in determining the type of consideration (cash vs. stock) and a range of values that could reasonably be paid to GSB’s shareholders. Because of the asset size of GSB Bank and the desire to maintain First Bank’s substantial regulatory capital, it was determined that a 100% stock transaction was most appropriate.

In determining the appropriate valuation for GSB, First Bancorp and KBW primarily weighed the following factors in determining that an offering of 0.910 shares of First Bancorp common stock for each outstanding share of GSB was reasonable:

- **Strategic attractiveness** – In this analysis, it was noted that GSB Bank is one of the few remaining community banks headquartered in South Carolina with total assets of $1.0 billion to $5.0 billion. It was also noted that GSB Bank will significantly enhance First Bank’s presence in South Carolina, particularly in key metropolitan markets. First Bancorp also considered that the conservative, community bank cultures of First Bank and GSB Bank are consistent.

- **Impact to First Bancorp’s earnings per share in the first full year of operations** – An earnings per share accretion of ___% was desired. Approximately ___% accretion is anticipated from the Bank Merger.

- **Impact to First Bancorp’s tangible book value per share** – Tangible book value dilution per share of ___% or less was desired. An approximately ___% dilution is anticipated from the Bank Merger.

- **Tangible book value per share earnback** – An earnback period of three years or less was desired. The estimated earnback with respect to the Bank Merger is approximately ____ years.

- **Impact on regulatory capital ratios** – Because the merger consideration is composed of First Bancorp common stock, any negative impact on regulatory capital ratios will be primarily due to transaction expenses and purchase accounting adjustments. It is estimated that each of First Bank’s capital ratios will decline by no more than approximately ___% (____ basis points), all ratios will remain significantly above minimum well-capitalized requirements, and all ratios will increase to pre-Merger levels within ____ years.

- **Contribution analysis** – As consequence of the Merger, GSB’s shareholders will own approximately ___% of the outstanding common stock of First Bancorp. It was determined that GSB’s estimated financial contributions to the combined company
for key balance sheet and income statement line items will be in the range of ___% to ___%.

- Tangible book value pricing – At the time of the signing of the Merger Agreement, First Bancorp’s common stock was trading at approximately ___x tangible book value and the merger consideration value to be provided to GSB’s shareholders equaled ___x GSB’s tangible book value.

For the reasons above, First Bancorp and KBW concluded that an exchange ratio of 0.910 provided a reasonable valuation to both First Bancorp’s and GSB’s shareholders.

The 0.910 exchange ratio results in approximately $____ million of First Bancorp common stock being issued (based on the June 30, 2022 closing price of First Bancorp stock of $___ per share). This amount will result in goodwill to be recorded of approximately $____ million after factoring in all expected merger expenses and purchase accounting adjustments.

Other than goodwill, the only significant intangible asset that is expected to be recorded is a core deposit intangible asset. First Bancorp estimated that GSB Bank’s core deposits are worth approximately ___% of non-time deposits (based on review of recent industry statistics). When multiplied times GSB Bank’s $___ billion in non-time deposits, this estimated deposits valuation results in an intangible asset of approximately $____ million, which will be amortized over the estimated remaining lives of the deposits.
CONFIDENTIAL EXHIBIT K

PRO FORMA AND PROJECTED
REGULATORY CAPITAL SCHEDULES
EXHIBIT L

CRA PERFORMANCE EVALUATIONS
FOR
GSB BANK
First Bank and GSB Bank do not operate branch offices in any common Banking Markets. Accordingly, the Bank Merger will not have an impermissible anti-competitive effect in any Banking Markets.
DUE DILIGENCE MEMORANDA
EMPLOYMENT AGREEMENT
COMMITMENTS

First Bancorp hereby commits (1) not to use or attempt to use its rights under Sections 6.1(a)(iv), 6.1(a)(v), (b), (g), (k), (l), (n), (o) or (p) of the Merger Agreement to the extent they infringed on the right of GSB or GSB Bank to conduct their respective businesses in the ordinary course, and (2) not to exercise prior control (as defined in Section 2(a)(2) of the Bank Holding Company Act, 12 U.S.C. §1841(a)(2), over the management or policies of GSB or GSB Bank.