# OLD POINT FINANCIAL CORP

## FORM 10-K405

(Annual Report (Regulation S-K, item 405))

## Filed 3/28/2000 For Period Ending 12/31/1999

| | |
|---|---|
| Address | 1 WEST MELLEN ST |
| | HAMPTON, Virginia 23663 |
| Telephone | 757-728-1247 |
| CIK | 0000740971 |
| Industry | Regional Banks |
| Sector | Financial |
| Fiscal Year | 12/31 |

# U. S. SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

# FORM 10-K

(Mark One)

[X] Annual Report Pursuant to Section 13 or 15(d) of the Securities
Exchange Act of 1934
For the fiscal year ended December 31, 1999

[ ] Transition Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934 (no fee required)
For the transition period from to

*Commission File No. 0-12896*

# OLD POINT FINANCIAL CORPORATION

(Name of issuer in its charter)

| | |
|---|---|
| Virginia<br>(State or other jurisdiction of incorporation or organization) | 54-1265373<br>(I.R.S. Employer Identification No.) |

1 West Mellen Street, Hampton, Va. 23663
(Address of principal executive offices)

(757) 722-7451
(Issuer's telephone number)

**Securities registered pursuant to Section 12(b) of the Exchange Act:**
None

**Securities registered pursuant to Section 12(g) of the Exchange Act:**
**Common Stock ($5.00 par value)**
(Title of class)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

As of March 14, 2000 the aggregate market value of the 2,149,074 shares of common stock of Old Point Financial Corporation held by nonaffiliates was approximately $35 million based upon the closing price of the stock as of March 14, 2000. Number of shares outstanding on March 14, 2000 was 2,583,401.

**DOCUMENTS INCORPORATED BY REFERENCE**
NONE

# OLD POINT FINANCIAL CORPORATION

## Form 10-K

INDEX

## PART I

### Item 1. Description of Business

### General

Old Point Financial Corporation (the "Company") was incorporated under the laws of Virginia on February 16, 1984, for the purpose of acquiring all the outstanding common stock of The Old Point National Bank of Phoebus (the "Bank"), in connection with the reorganization of the Bank into a one bank holding company structure. At the annual meeting of the stockholders on March 27, 1984, the proposed reorganization was approved by the requisite stockholder vote. At the effective date of the reorganization on October 1, 1984, the Bank merged into a newly formed national bank as a wholly owned subsidiary of the Company, with each outstanding share of common stock of the Bank being converted into five shares of common stock of the Company.

The Company completed a spin-off of its trust department as of April 1, 1999. The newly formed organization is charted as Old Point Trust and Financial Services, N.A. ("Trust"). Trust is a wholly owned subsidiary of the Company. The Company does not engage in any activities other than acting as a holding company for the common stock of the Bank and Trust. The principal business of the Company is conducted through its subsidiaries which continue to conduct business in substantially the same manner and from the same offices.

The Bank is a national banking association founded in 1922. The Bank has fifteen offices in the cities of Hampton, Newport News and Chesapeake, as well as James City and York County, Virginia, and provides a full range of banking and related financial services, including checking, savings, certificates of deposit, and other depository services, commercial, industrial, residential real estate and consumer loan services, safekeeping services.

As of December 31, 1999, the Company had assets of $436.3 million, loans of $281.6 million, deposits of $360.9 million, and stockholders' equity of $40.8 million. At year end, the Company and its subsidiaries had a total of 233 employees, 30 of whom were part-time.

The Company's trade area is Hampton Roads, which includes Williamsburg, Poquoson, Newport News, Hampton, Chesapeake, Norfolk, Virginia Beach, Portsmouth and Suffolk. The area also includes the Isle of Wight, James City, Gloucester and Mathews counties. According to the 1999 Hampton Roads Statistical Digest, there are more than 1.5 million people in the area with 30% of all jobs linked to the military. The single largest employer is Newport News Shipbuilding with approximately 17,000 employees.

The banking industry is highly competitive in the Hampton Roads area. There are approximately nineteen commercial and savings banks conducting business in the area. Six of these are major statewide banking organizations.

The Bank encounters competition for deposits and loans from banks, saving and loan associations, and credit unions in the area in which it operates. In addition, the Bank must compete for deposits in some instances with nationally marketed money market funds, brokerage firms and on-line or internet banks.

The Company and its subsidiaries are subject to regulation and examination by the Federal Reserve Board ("the Board"), the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation ("the FDIC").

As a bank holding company within the meaning of the Bank Holding Company Act of 1956, the Company is subject to the ongoing regulation, supervision, and examination by the Federal Reserve Board (the "Board"). The Company is required to file with the Board periodic and annual reports and other information concerning its own business operations and those of its subsidiaries. In addition, prior Board approval must be obtained before the Company can acquire (i) ownership or control of any voting shares of another bank if, after such acquisition, it would control more than 5% of such shares, or (ii) all or substantially all of the assets of another bank or merge or consolidate with another bank holding company. A bank holding company is prohibited under the Bank Holding Company Act, with limited exceptions, from engaging in activities other than those of banking or of managing or controlling banks or furnishing services to its subsidiaries.

**Recent Legislation**

The Gramm-Leach-Bliley Act (the "Act") which was signed into law by the President on November 12, 1999 became effective March 11, 2000. The Act allows a bank holding company to elect to become a "financial holding company" and permitted to engage in financial activities. Among the items listed in the Act as financial activities are lending, exchanging, transferring, investing for others, or safeguarding money or securities. Other permitted activities are providing financial, investment or economic advisory services, including advising an investment company; issuing or selling instruments representing interests in pools of assets permissible for a bank to hold; and underwriting, dealing in or making a market in securities. As long as the Company remains a bank holding company it remains subject to the Bank Holding Company Act.

**Statistical Information**

The following statistical information is furnished pursuant to the requirements of Guide 3 (Statistical Disclosure by Bank Holding Companies) promulgated under the Securities Act of 1933.

I. Distribution of Assets, Liabilities and Shareholders' Equity; Interest Rates and Interest Differential

The following table presents the distribution of assets, liabilities, and shareholders' equity by major categories with related average yields/rates. In these balance sheets, nonaccrual loans are included in the daily average loans outstanding. The following table sets forth a summary of changes in interest earned and paid attributable to changes in volume and changes in yields/rates.

TABLE I

AVERAGE BALANCE SHEETS, NET INTEREST INCOME* AND RATES*

| For the years ended December 31, | 1999 | | | 1998 | | | 1997 | | |
|---|---|---|---|---|---|---|---|---|---|
| Dollars in thousands | Average Balance | Interest Income/ Expense | Average Rates Earned/ Paid | Average Balance | Interest Income/ Expense | Average Rates Earned/ Paid | Average Balance | Interest Income/ Expense | Average Rates Earned/ Paid |
| ASSETS | | | | | | | | | |
| Loans | $259,320 | $21,794 | 8.40% | $226,908 | $20,255 | 8.93% | $210,934 | $19,288 | 9.14% |
| Investment securities: | | | | | | | | | |
| Taxable | 79,931 | 4,847 | 6.06% | 87,112 | 5,285 | 6.07% | 72,064 | 4,473 | 6.21% |
| Tax-exempt | 55,936 | 4,090 | 7.31% | 34,317 | 2,665 | 7.77% | 24,129 | 1,954 | 8.10% |
| Total investment securities | 135,867 | 8,937 | 6.58% | 121,429 | 7,950 | 6.55% | 96,193 | 6,427 | 6.68% |
| Federal funds sold | 4,131 | 219 | 5.30% | 10,305 | 572 | 5.55% | 4,981 | 276 | 5.54% |
| Total earning assets | 399,318 | 30,950 | 7.75% | 358,642 | 28,777 | 8.02% | 312,108 | 25,991 | 8.33% |
| Reserve for loan losses | (2,886) | | | (2,628) | | | (2,366) | | |
| | 396,432 | | | 356,014 | | | 309,742 | | |
| Cash and due from banks | 9,302 | | | 8,933 | | | 8,753 | | |
| Bank premises and equipment | 13,682 | | | 11,931 | | | 10,036 | | |
| Other assets | 4,265 | | | 3,878 | | | 3,624 | | |
| Total assets | $423,681 | | | $380,756 | | | $332,155 | | |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | | | | | | |
| Time and savings deposits: | | | | | | | | | |
| Interest-bearing transaction accounts | $ 3,971 | $ 94 | 2.37% | $ 15,929 | $ 346 | 2.17% | $ 24,376 | $ 537 | 2.20% |
| Money market deposit accounts | 94,885 | 2,937 | 3.10% | 71,199 | 2,326 | 3.27% | 49,302 | 1,528 | 3.10% |
| Savings accounts | 27,923 | 765 | 2.74% | 26,211 | 718 | 2.74% | 25,822 | 708 | 2.74% |
| Certificates of deposit, $100,000 or more | 31,089 | 1,708 | 5.49% | 26,084 | 1,462 | 5.60% | 19,122 | 1,135 | 5.94% |
| Other certificates of deposit | 132,674 | 7,045 | 5.31% | 121,676 | 6,740 | 5.54% | 108,665 | 5,813 | 5.35% |
| Total time and savings deposits | 290,542 | 12,549 | 4.32% | 261,099 | 11,592 | 4.44% | 227,287 | 9,721 | 4.28% |
| Federal funds purchased and securities sold under agreement to repurchase | 27,173 | 1,233 | 4.54% | 21,713 | 1,013 | 4.67% | 17,767 | 861 | 4.85% |
| Other short term borrowings | 1,691 | 83 | 4.91% | 1,776 | 96 | 5.41% | 1,857 | 99 | 5.33% |
| Total interest bearing liabilities | 319,406 | 13,865 | 4.34% | 284,588 | 12,701 | 4.46% | 246,911 | 10,681 | 4.33% |
| Demand deposits | 61,503 | | | 56,001 | | | 49,432 | | |
| Other liabilities | 1,932 | | | 1,641 | | | 1,394 | | |
| Total liabilities | 382,841 | | | 342,230 | | | 297,737 | | |
| Stockholders' equity | 40,840 | | | 38,526 | | | 34,418 | | |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | $423,681 | | | $380,756 | | | $332,155 | | |
| Net interest income/yield | | $ 17,085 | 4.28% | | $16,076 | 4.48% | | $ 15,310 | 4.91% |
| Total deposits | $352,045 | | | $317,100 | | | | $276,719 | |

* Computed on a fully taxable equivalent basis using a 34% rate

The following table sets forth a summary of changes in interest earned and paid attributable to changes in volume and changes in yields/rates.

TABLE II
ANALYSIS OF CHANGE IN NET INTEREST INCOME *

| Dollars in Thousands | Year 1999 over 1998 Due to change in: Average Volume | Average Rate | Net Increase (Decrease) | Year 1998 over 1997 Due to change in: Average Volume | Average Rate | Net Increase (Decrease) | Year 1997 over 1996 Due to change in: Average Volume | Average Rate | Net Increase (Decrease) |
|---|---|---|---|---|---|---|---|---|---|
| INCOME FROM EARNING ASSETS | | | | | | | | | |
| Loans | $2,893 | $(1,354) | $1,539 | $1,461 | $ (494) | $ 967 | $1,649 | $ (42) | $1,607 |
| Investment Securities: | | | | | | | | | |
| Taxable | (436) | (2) | (438) | 934 | (122) | 812 | (401) | 138 | (263) |
| Tax-exempt | 1,679 | (254) | 1,425 | 825 | (114) | 711 | 760 | (98) | 662 |
| Total investment securities | 1,243 | (256) | 987 | 1,759 | (236) | 1,523 | 359 | 40 | 399 |
| Federal funds sold | (343) | (10) | (353) | 295 | 1 | 296 | 52 | 16 | 68 |
| | 3,794 | (1,621) | 2,173 | 3,515 | (729) | 2,786 | 2,060 | 14 | 2,074 |
| INTEREST EXPENSE | | | | | | | | | |
| Interest bearing transaction accounts | (260) | 8 | (252) | (186) | (5) | (191) | (621) | (52) | (673) |
| Money market deposit accounts | 774 | (163) | 611 | 679 | 119 | 798 | 1,045 | (306) | 739 |
| Savings accounts | 47 | 0 | 47 | 11 | (1) | 10 | (15) | 1 | (14) |
| Certificate of deposits, $100,000 or more | 281 | (35) | 246 | 413 | (86) | 327 | 116 | 79 | 195 |
| Other certificates of deposit | 609 | (304) | 305 | 696 | 231 | 927 | 309 | (138) | 171 |
| Total time and savings deposits | 1,452 | (495) | 957 | 1,613 | 258 | 1,871 | 834 | (416) | 418 |
| Federal funds purchased and securities sold under agreement to repurchase | 255 | (35) | 220 | 191 | (39) | 152 | 148 | 7 | 155 |
| Other short-term borrowings | (5) | (8) | (13) | (4) | 1 | (3) | 14 | 1 | 15 |
| Total expense for interest bearing liabilities | 1,702 | (538) | 1,164 | 1,800 | 220 | 2,020 | 996 | (408) | 588 |
| Change in Net Interest Income | $2,092 | $(1,083) | $1,009 | $1,714 | $ (948) | $ 766 | $1,064 | $ 422 | $1,486 |

* Computed on a fully taxable equvilent basis using a 34% rate.

Interest Sensitivity

The following table reflects the earlier of the maturity or repricing data for various assets and liabilitities as of December 31, 1999.

TABLE III
INTEREST SENSITIVITY ANALYSIS

| As of December 31, 1998<br>Dollars in thousands | Within<br>3 Months | 4-12<br>Months | 1-5<br>Years | Over 5<br>Years | Total |
|---|---|---|---|---|---|
| Uses of funds | | | | | |
| Federal funds sold..................... | 241 | 0 | 0 | 0 | 241 |
| Taxable investments.................... | 4,978 | 2,209 | 42,955 | 20,875 | 71,017 |
| Tax-exempt investments................. | 472 | 1,506 | 5,198 | 48,793 | 55,969 |
| Total investments.................... | 5,691 | 3,715 | 48,153 | 69,668 | 127,227 |
| Loans: | | | | | |
| Commercial........................... | 23,570 | 2,258 | 32,542 | 3,068 | 61,438 |
| Tax-exempt........................... | 1,013 | 32 | 16 | 1,686 | 2,747 |
| Installment.......................... | 3,986 | 2,384 | 52,065 | 6,743 | 65,178 |
| Real estate.......................... | 17,915 | 8,687 | 85,364 | 39,499 | 151,465 |
| Other................................ | 818 | -- | 0 | 0 | 818 |
| Total loans............................ | 47,302 | 13,361 | 169,987 | 50,996 | 281,646 |
| Total earning assets................... | 52,993 | 17,076 | 218,140 | 120,664 | 408,873 |
| Sources of funds | | | | | |
| Interest checking deposits............. | 4,342 | -- | -- | -- | 4,342 |
| Money market deposit accounts.......... | 96,197 | -- | -- | -- | 96,197 |
| Regular savings accounts............... | 28,224 | -- | -- | -- | 28,224 |
| Certificates of deposit $100,000 or more..................... | 9,164 | 15,902 | 8,966 | -- | 34,032 |
| Other time deposits.................... | 37,900 | 49,100 | 48,117 | -- | 135,117 |
| Federal funds purchased and securities sold under agreements to repurchase............ | 24,841 | -- | -- | 5,000 | 29,841 |
| Other borrowed money................... | 3,317 | -- | 0 | -- | 3,317 |
| Total interest bearing liabilities..... | 203,985 | 65,002 | 57,083 | 5,000 | 331,070 |
| Rate sensitivity GAP................... | (150,992) | (47,926) | 161,057 | 115,664 | 77,803 |
| Cumulative GAP......................... | (150,992) | (198,918) | (37,861) | 77,803 | |

The Company was liability sensitive as of December 31, 1999. There were $151 million more in liabilities than assets subject to repricing within three months. This generally indicates that net interest income should improve if interest rates fall since liabilities will reprice faster than assets. It should be noted, however, that savings deposits; which consist of interest bearing transactions accounts, money market accounts, and savings accounts; are less interest sensitive than other market driven deposits. In a rising rate environment these deposit rates have historically lagged behind the changes in earning asset rates, thus mitigating somewhat the impact from the liability sensitivity position.

II. Investment Portfolio

**Note 2 of the Notes to Financial Statements found in Item 8. Financial**
Statements and Supplementary Data of this Report on Form 10K presents the book and market value of investment securities on the dates indicated.

The following table shows, by type and maturity, the book value and weighted average yields of investment securities at December 31, 1999.

TABLE IV
INVESTMENT SECURITY MATURITIES & YIELDS

| | U.S.Govt/Agency | | State/Municipal | | Total | |
|---|---|---|---|---|---|---|
| Dollars in Thousands | Book Value | Weighted Average Yield | Book Value | Weighted Average Yield | Book Value | Weighted Average Yield |
| December 31, 1999 | | | | | | |
| Maturities: | | | | | | |
| Within 1 year | $ 2,314 | 5.53% | $ 1,963 | 8.70% | $ 4,278 | 6.98% |
| After 1 year, but within 5 years | 43,361 | 6.01% | 5,131 | 7.72% | 48,491 | 6.19% |
| After 5 years, but within 10 years | 20,387 | 6.08% | 29,773 | 6.96% | 50,160 | 6.60% |
| After 10 years | 0 | 0.00% | 20,523 | 6.63% | 20,523 | 6.63% |
| TOTAL | $66,062 | 6.02% | $57,391 | 6.97% | $123,452 | 6.46% |
| December 31, 1998 | $82,055 | 6.11% | $48,596 | 8.10% | $130,650 | 6.85% |
| December 31, 1997 | $62,126 | 6.33% | $27,843 | 8.18% | $ 89,969 | 6.90% |

Yields are calculated on a fully tax equivalent basis using a 34% rate.

At December 31, 1999, the book value of other marketable equity securities with no stated maturity totaled $5.1 million with an weighted average yield of 5.59%. These securities consisted of an adjustable rate mortgage fund of $3.0 million yielding 4.86%, Federal Home Loan Bank stock of $1.2 million yielding 7.75%, Federal Reserve stock of $169 thousand yielding 6.00%, money market fund of $674 thousand yielding 5.25% and other securities of $50 thousand. The book value of other marketable securities with no stated maturity totaled $5.58 million, yielding 5.45%; and $5.48 million, yielding 6.13%; at December 31, 1998, and 1997 respectively.

## III. Loan Portfolio

The following table shows a breakdown of total loans by type at December 31 for years 1995 through 1999:

TABLE V
LOANS

| As of December 31, Dollars in thousands | 1999 | 1998 | 1997 | 1996 | 1995 |
|---|---|---|---|---|---|
| Commercial and other | $ 62,257 | $ 53,793 | $ 45,059 | $ 28,944 | $ 20,636 |
| Real Estate Construction | 11,461 | 5,418 | 3,836 | 5,213 | 4,093 |
| Real Estate Mortgage | 140,004 | 116,635 | 104,141 | 104,230 | 109,469 |
| Tax Exempt | 2,747 | 1,401 | 2,093 | 2,464 | 3,003 |
| Installment Loans to Individuals | 65,178 | 58,618 | 66,615 | 57,733 | 52,154 |
| Total | $281,647 | $235,865 | $221,744 | $198,584 | $189,355 |

Based on Standard Industry Code, there are no categories of loans which exceed 10% of total loans other than the categories disclosed in the preceding table.

The maturity distribution and rate sensitivity of certain categories of the Bank's loan portfolio at December 31, 1999 is presented below:

TABLE VI
MATURITY SCHEDULE OF SELECTED LOANS

| December 31, 1999 Dollars in thousands | One year or less | One through five years | Over five years | Total |
|---|---|---|---|---|
| Commercial and other | $19,850 | $37,955 | $4,452 | $62,257 |
| Real estate construction | 10,584 | 877 | 0 | 11,461 |
| Total | $30,434 | $38,832 | $4,452 | $73,719 |
| Loans maturing after one year with: | | | | |
| Fixed interest rate | | $32,167 | $2,827 | $34,994 |
| Variable interest rate | | $ 6,665 | $1,625 | $ 8,290 |

The following table presents information concerning the aggregate amount of nonaccrual, past due and restructured loans as of December 31 for the years 1995 through 1999.

TABLE VII
NONACCRUAL, PAST DUE AND RESTRUCTURED LOANS

| As of December 31, Dollars in thousands | 1999 | 1998 | 1997 | 1996 | 1995 |
|---|---|---|---|---|---|
| Nonaccrual loans | $ 514 | $ 253 | $ 660 | $1,550 | $2,447 |
| Accruing loans past due 90 days or more | 1,351 | 641 | 455 | 1,342 | 248 |
| Restructured loans | none | none | none | none | none |
| Interest income which would have been recorded under original loan terms | 49 | 52 | 205 | 163 | 350 |
| Interest income recorded during the period | 68 | 123 | 485 | 222 | 131 |

Loans are placed in nonaccrual status if principal or interest has been in default for a period of 90 days or more unless the obligation is both well secured and in the process of collection. A debt is "well secured" if it is secured (i) by collateral in the form of liens on or pledges of real or personal property, including securities, that have a realizable value sufficient to discharge the debt in full or (ii) by the guaranty of a financially responsible party. A debt is "in the process of collection" if collection of the debt is proceeding in due course either through legal action, including judgment enforcement procedures, or, in appropriate circumstances, through collection efforts not involving legal action which are reasonably expected to result in repayment of the debt or in its restoration to a current status.

Potential problem loans consist of loans that, because of potential credit problems of the borrowers, have caused management to have serious doubts as to the ability of such borrowers to comply with the loan repayment terms. At December 31, 1999 such problem loans, not included in Table VII, amounted to approximately $1.9 million. There were no relationships in excess of $500 thousand. The potential problem loans are generally secured by residential and commercial real estate with appraised values exceeding the principal balance of the loan.

IV. Summary of Loan Loss Experience

The determination of the balance of the Allowance for Loan Losses is based upon a review and analysis of the loan portfolio and reflects an amount which, in management's judgment, is adequate to provide for possible future losses. Management's review includes monthly analysis of past due and nonaccrual loans and detailed periodic loan by loan analyses.

The principal factors considered by management in determining the adequacy of the allowance are the growth and composition of the loan portfolio, historical loss experience, the level of nonperforming loans, economic conditions, the value and adequacy of collateral, and the current level of the allowance.

The following table shows an analysis of the Allowance for Loan Losses for the years 1995 through 1999.

TABLE VIII
ANALYSIS OF THE ALLOWANCE FOR LOAN LOSSES

| For the year ended December 31, Dollars in thousands | 1999 | 1998 | 1997 | 1996 | 1995 |
|---|---|---|---|---|---|
| Balance at beginning of period | $2,855 | $2,671 | $2,330 | $2,251 | $2,647 |
| Charge Offs: | | | | | |
| Commercial, financial and agriculture | 138 | 296 | 84 | 98 | 1,210 |
| Real estate construction | 0 | 0 | 0 | 0 | 0 |
| Real estate mortgage | 74 | 87 | 67 | 2 | 135 |
| Installment Loans to individuals | 581 | 564 | 717 | 825 | 375 |
| Total charge offs | 793 | 947 | 868 | 925 | 1,720 |
| Recoveries: | | | | | |
| Commercial, financial and agriculture | 104 | 139 | 239 | 87 | 296 |
| Real estate construction | 0 | 0 | 0 | 0 | 0 |
| Real estate mortgage | 1 | 25 | 1 | 14 | 44 |
| Installment Loans to individuals | 294 | 317 | 369 | 303 | 159 |
| Total recoveries | 399 | 481 | 609 | 404 | 499 |
| Net charge offs | 394 | 466 | 259 | 521 | 1,221 |
| Additions charged to operations | 650 | 650 | 600 | 600 | 825 |
| Balance at end of period | $3,111 | $2,855 | $2,671 | $2,330 | $2,251 |
| Selected loan loss statistics | | | | | |
| Loans (net of unearned income): | | | | | |
| End of period | $281,647 | $235,865 | $221,744 | $198,584 | $189,355 |
| Daily average | $259,320 | $226,908 | $210,934 | $192,940 | $180,638 |
| Net charge offs to average total loans.......................... | 0.15% | 0.21% | 0.12% | 0.27% | 0.68% |
| Provision for loan losses to average total loans............... | 0.25% | 0.29% | 0.28% | 0.31% | 0.46% |
| Provision for loan losses to net charge offs.................. | 164.97% | 139.48% | 231.66% | 115.16% | 67.57% |
| Allowance for loan losses to period end loans.................. | 1.10% | 1.21% | 1.20% | 1.17% | 1.18% |
| Earnings to loan loss coverage*....... | 16.97 | 14.64 | 23.67 | 10.28 | 3.25 |

* Income before taxes plus provision for loan losses, divided by net charge-offs.

The following table shows the amount of the Allowance for Loan Losses allocated to each category at December 31 for the years 1995 through 1999.

TABLE IX
ALLOCATION OF THE ALLOWANCE FOR LOAN LOSSES

| As of December 31, | 1999 Amount | 1999 Percent of loans in Each Category to Total Loans | 1998 Amount | 1998 Percent of loans in Each Category to Total Loans | 1997 Amount | 1997 Percent of loans in Each Category to Total Loans | 1996 Amount | 1996 Percent of loans in Each Category to Total Loans | 1995 Amount | 1995 Percent of loans in Each Category to Total Loans |
|---|---|---|---|---|---|---|---|---|---|---|
| Commercial and other | $ 828 | 23.08% | $ 656 | 27.92% | $ 575 | 21.26% | $ 835 | 15.85% | $ 843 | 12.57% |
| Real Estate Construction | 40 | 4.07% | 17 | 2.30% | 14 | 1.73% | 23 | 2.62% | 18 | 2.18% |
| Real Estate Mortgage | 195 | 49.71% | 203 | 44.64% | 240 | 46.97% | 322 | 52.49% | 370 | 58.21% |
| Consumer | 414 | 23.14% | 370 | 25.14% | 412 | 30.04% | 391 | 29.04% | 247 | 27.04% |
| Unallocated | 1,634 | 0 | 1,609 | 0 | 1,430 | 0 | 759 | 0 | 773 | 0 |
| Total | $3,111 | 100.00% | $2,855 | 100.00% | $2,671 | 100.00% | $2,330 | 100.00% | $2,251 | 100.00% |

**V. Deposits**

The following table shows the average balances and average rates paid on deposits for the years ended December 31, 1999, 1998, and 1997.

TABLE X
DEPOSITS

| For the year ended December 31, | 1999 | | 1998 | | 1997 | |
|---|---|---|---|---|---|---|
| Dollars in thousands | Average Balance | Average Rate | Average Balance | Average Rate | Average Balance | Average Rate |
| Interest bearing transaction accounts | $ 3,971 | 2.37% | $ 15,929 | 2.17% | $ 24,376 | 2.20% |
| Money market deposit accounts | 94,885 | 3.10% | 71,199 | 3.27% | 49,302 | 3.10% |
| Savings accounts | 27,923 | 2.74% | 26,211 | 2.74% | 25,822 | 2.74% |
| Certificate of deposit, $100,000 or more | 31,089 | 5.49% | 26,084 | 5.60% | 19,122 | 5.94% |
| Other certificate of deposit | 132,674 | 5.31% | 121,676 | 5.54% | 108,665 | 5.35% |
| Total interest bearing deposits | 290,542 | 4.32% | 261,099 | 4.44% | 227,287 | 4.28% |
| Non-interest bearing demand deposits | 61,503 | | 56,001 | | 49,432 | |
| Total deposits | $352,045 | | $317,100 | | $276,719 | |

The following table shows certificates of deposit in amounts of $100,000 or more as of December 31, 1999, 1998, and 1997 by time remaining until maturity.

**TABLE XI**
**CERTIFICATE OF DEPOSIT $100,000 & MORE**

| Dollars in thousands Maturing in | 1999 | 1998 | 1997 |
|---|---|---|---|
| 3 months or less | $ 6,456 | $ 3,592 | $ 5,449 |
| 3 through 6 months | 4,485 | 6,353 | 3,087 |
| 6 through 12 months | 11,958 | 7,345 | 5,843 |
| over 12 months | 11,132 | 10,915 | 9,467 |
| | $34,031 | $28,205 | $23,846 |

VI. Return on Equity and Assets

The return on average shareholders' equity and assets, the dividend pay out ratio, and the average equity to average assets ratio for the past three years are presented below.

| | 1999 | 1998 | 1997 |
|---|---|---|---|
| Return on average assets | 1.14% | 1.22% | 1.23% |
| Return on average equity | 11.81% | 12.03% | 11.88% |
| Dividend payout ratio | 28.89% | 26.62% | 25.68% |
| Average equity to average assets | 9.64.% | 10.15% | 10.36% |

VII. Short Term Borrowings

The Bank periodically borrowed funds through federal funds from its correspondent banks, through the use of a demand note to the United States Treasury (Treasury Tax and Loan Deposits), and through securities sold under agreements to repurchase. The borrowings matured daily and were based on daily cash flow requirements. The borrowed amounts (in thousands) and their corresponding rates during 1999, 1998, and 1997 are presented in the following table.

TABLE XII
SHORT TERM BORROWINGS

| Dollars in thousands | 1999 Balance | 1999 Rate | 1998 Balance | 1998 Rate | 1997 Balance | 1997 Rate |
|---|---|---|---|---|---|---|
| Balance at December 31, | | | | | | |
| Federal funds purchased | $ 2,400 | 5.00% | $ - | | $ - | |
| Securities sold under agreement to repurchase | 20,441 | 4.38% | 19,128 | 4.25% | 20,165 | 4.81% |
| U. S. treasury demand notes and other borrowed money | 3,317 | 5.25% | 348 | 4.89% | 4,025 | 5.27% |
| Total | $26,158 | | $19,476 | | $24,190 | |
| Average daily balance outstanding: | | | | | | |
| Federal funds purchased | $ 792 | 5.07% | $ 13 | 5.86% | $ 271 | 5.54% |
| Securities sold under agreement to repurchase | 20,794 | 4.42% | 21,700 | 4.66% | 17,496 | 4.84% |
| U. S. treasury demand notes and other borrowed money | 1,691 | 4.79% | 1,776 | 5.35% | 1,857 | 5.33% |
| Total | $23,277 | 4.55% | $23,489 | 4.72% | $19,624 | 4.89% |
| The maximum amount outstanding at any month end: | | | | | | |
| Federal funds purchased | $ 2,550 | | $ - | | $ - | |
| Securities sold under agreement to repurchase | $22,013 | | $26,094 | | $23,121 | |
| U. S. treasury demand notes and other borrowed money | $ 4,014 | | $ 4,024 | | $ 4,033 | |

**Item 2. Description of Property**
The Bank owns the Main Office, five office buildings4, and nine branches5. All of the above properties are owned directly and free of any encumbrances. The land at the Fort Monroe branch is leased by the Bank under an agreement expiring in October 2011. The remaining three branches are 6leased from unrelated parties under leases with renewal options which expire anywhere from 10-15 years.

For more information concerning the commitments under current leasing agreements, see Note 10. Lease Commitments of the Notes to Financial Statements found in Item 8. Financial Statements and Supplementary Data of this Report on Form 10K. Additional information on Other Real Estate Owned can be found in Note 6. Other Real Estate Owned of the Notes to Financial Statements found in Item 8. Financial Statements and Supplementary Data of this Report on Form 10K.

**Item 3. Legal Proceedings**
The Company is not a party to any material pending legal proceedings before any court, administrative agency, or other tribunal.

**Item 4. Submission of Matters to a Vote of Security Holders**

There were no matters submitted to a vote of security holders during the quarter ended December 31, 1999.

## Part II

**Item 5. Market for Common Equity And Related Stockholder Matters**

Beginning in 1998 the common stock of Old Point Financial Corporation was quoted on the OTC Bulletin Board under the symbol "OPOF". The Company has submitted an application to Nasdaq to list the Company's stock on the Nasdaq SmallCap market. The approximate number of shareholders of record as of December 31, 1999 was 1,419. The range of high and low prices and dividends per share of the Company's common stock for each quarter during 1999 and 1998 is presented in Part I. Item 7. of this Annual Report on Form 10-K. Additional information related to stockholder matters can be found in Note 15. Regulatory Matters of the Notes to Financial Statements found in Item 8. Financial Statements and Supplementary Data of this Report on Form 10K.

**Item 6. Selected Financial Data**

The following table summarizes the Company's performance for the past five years.

TABLE XIII
SELECTED FINANCIAL HIGHLIGHTS

| Years Ended December 31, | 1999 | 1998 | 1997 | 1996 | 1995 |
|---|---|---|---|---|---|
| | (Dollars in Thousands except per share data) | | | | |
| RESULTS OF OPERATIONS | | | | | |
| Interest income | $29,483 | $27,805 | $25,242 | $23,377 | $21,534 |
| Interest expense | 13,862 | 12,700 | 10,681 | 10,093 | 9,531 |
| Net interest income | 15,621 | 15,105 | 14,561 | 13,284 | 12,003 |
| Provision for loan loss | 650 | 650 | 600 | 600 | 825 |
| Net interest income after provision for loan loss | 14,971 | 14,455 | 13,961 | 12,684 | 11,178 |
| Gains (losses) on sales of investment | (54) | 0 | (1) | 2 | 9 |
| Noninterest income | 5,440 | 4,911 | 4,275 | 4,134 | 3,836 |
| Noninterest expenses | 14,320 | 13,193 | 12,704 | 12,066 | 11,884 |
| Income before taxes | 6,037 | 6,173 | 5,531 | 4,754 | 3,139 |
| Income taxes | 1,215 | 1,537 | 1,441 | 1,309 | 797 |
| Net income | $4,822 | $4,636 | $4,090 | $3,445 | $2,342 |
| FINANCIAL CONDITION | | | | | |
| Total assets | $436,294 | $404,118 | $348,671 | $316,345 | $304,266 |
| Total deposits | 360,918 | 343,413 | 287,100 | 263,519 | 256,535 |
| Total loans | 281,647 | 235,865 | 221,744 | 198,584 | 189,355 |
| Stockholders' equity | 40,814 | 40,013 | 36,332 | 32,400 | 30,328 |
| Average assets | 423,681 | 380,756 | 332,155 | 313,012 | 291,174 |
| Average equity | 40,840 | 38,526 | 34,418 | 31,333 | 29,022 |
| PERTINENT RATIOS | | | | | |
| Return on average assets | 1.14% | 1.22% | 1.23% | 1.10% | 0.80% |
| Return on average equity | 11.81% | 12.03% | 11.88% | 10.99% | 8.07% |
| Dividends paid as a percent of net income | 28.89% | 26.62% | 25.68% | 25.88% | 33.17% |
| Average equity as a percent of average assets | 9.64% | 10.12% | 10.36% | 10.01% | 9.97% |
| PER SHARE DATA | | | | | |
| Basic EPS | $1.87 | $1.80 | $1.60 | $1.35 | $0.92 |
| Cash dividends declared | 0.54 | 0.48 | 0.41 | 0.35 | 0.305 |
| Book value | 15.80 | 15.54 | 14.16 | 12.72 | 11.91 |
| GROWTH RATES | | | | | |
| Year end assets | 7.96% | 15.90% | 10.22% | 3.97% | 9.57% |
| Year end deposits | 5.10% | 19.61% | 8.95% | 2.72% | 8.89% |
| Year end loans | 19.41% | 6.37% | 11.66% | 4.87% | 8.28% |
| Year end equity | 2.00% | 10.13% | 12.14% | 6.83% | 15.66% |
| Average assets | 11.27% | 14.63% | 6.12% | 7.50% | 4.59% |
| Average equity | 6.01% | 11.49% | 9.85% | 7.96% | 8.72% |
| Net income | 4.01% | 13.35% | 18.72% | 47.10% | -15.54% |
| Cash dividends declared | 12.50% | 17.07% | 17.14% | 14.75% | 10.91% |
| Book value | 1.69% | 9.74% | 11.30% | 6.83% | 14.78% |

**Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following discussion is intended to assist readers in understanding and evaluating the consolidated results of operations and financial condition of the Company. This discussion should be read in conjunction with the financial statements and other financial information contained elsewhere in this report. The analysis attempts to identify trends and material changes which occurred during the period presented.

**EARNINGS SUMMARY**

Net income was $4.82 million, or $1.87 per share in 1999 compared to $4.64 million, or $1.80 per share in 1998 and $4.09 million, or $1.60 per share in 1997. Return on average assets was 1.14% in 1999, 1.22% in 1998 and 1.23% in 1997. Return on average equity was 11.81% in 1999, 12.03% in 1998 and 11.88% in 1997. For the past five years return on average assets has averaged 1.10% and return on average equity has averaged 10.96%. Selected Financial Highlights summarizes the Company's performance for the past five years.

**NET INTEREST INCOME**

The principal source of earnings for the Company is net interest income. Net interest income is the difference between interest and fees generated by earning assets and interest expense paid to fund them. Net interest income, on a tax equivalent basis, was $17.09 million in 1999, up $1.0 million, or 6% from $16.08 million in 1998 which was up $766 thousand, or 5% from $15.30 million in 1997. Net interest income is affected by variations in interest rates and the volume and mix of earning assets and interest-bearing liabilities. The net interest yield decreased to 4.28% in 1999 from 4.48% in 1998, which was down from 4.91% in 1997.

Tax equivalent interest income increased $2.17 million, or 8%, in 1999. Average earning assets grew $40.66 million, or 11%. Total average loans increased $32.41 million, or 14%, while average investment securities increased $14.44 million, or 12%. The yield on earning assets decreased in 1999 by twenty-seven basis points primarily due to lower interest rates prevailing in the market.

Interest expense increased $1.16 million or 9%, in 1999. Interest bearing liabilities increased 11% in 1999. The cost of funding liabilities decreased twelve basis points. The reduction in cost of funds was due to lower market interest rates in 1999; however, the rates paid on funding liabilities in 1999 did not fall as fast as the rates paid on earning assets due to the intense competition for loans and deposits in the Company's market.

**PROVISION/ALLOWANCE FOR LOAN LOSSES**

Provision for loan losses is a charge against earnings necessary to maintain the allowance for loan losses at a level consistent with management's evaluation of the loan portfolio. The provision remained at $650 thousand in 1999 compared to 1998 which was up from $600 thousand in 1997.

Loans charged off during 1999 totalled $793 thousand compared to $947 thousand in 1998 and $868 thousand in 1997. Recoveries amounted to $399 thousand in 1999, $481 thousand in 1998 and $609 thousand in 1997.

The Company's net loans charged off to year-end loans were 0.14% in 1999, 0.20% in 1998, and 0.12% in 1997. The allowance for loan losses, as a percentage of year-end loans, was 1.10% in 1999, 1.21% in 1998, and 1.20% in 1997.

As of December 31, 1999, nonperforming assets were $868 thousand, up from $737 thousand at year-end 1998. Nonperforming assets consist of loans in nonaccrual status and other real estate. The 1999 total consisted of other real estate of $354 thousand and $514 thousand in nonaccrual loans. The other real estate is a commercial property originally acquired as a potential branch site and now held for sale. Nonaccrual loans consisted of $241 thousand in commercial loans and $273 thousand in mortgage loans. Loans still accruing interest but past due 90 days or more increased to $1.35 million as of December 31, 1999 compared to $641 thousand as of December 31, 1998. The 1999 90 day past due total included two loans amounting to $713 thousand which were paid off the first week of January 2000.

The allowance for loan losses is analyzed for adequacy on a quarterly basis to determine the required amount of provision for loan losses. A loan-by-loan review is conducted on all significant classified commercial and mortgage loans. Inherent losses on these individual loans are determined and an allocation of the allowance is provided. Smaller nonclassified commercial and mortgage loans and all consumer loans are grouped by homogeneous pools with an allocation assigned to each pool based on an analysis of historical loss and delinquency experience, trends, economic conditions, underwriting standards, and other factors.

**OTHER INCOME**
Other income increased $475 thousand, or 10% in 1999 from 1998 compared to an increase of $637 thousand, or 15% in 1998 from 1997. Continuing the trend from 1998 the growth in other income is attributed to higher trust income and service charges on deposit accounts.

**OTHER EXPENSES**
Other expenses increased $1.1 million or 9% in 1999 over 1998 after increasing 4% in 1998 from 1997. Salary expense increased by 11% due to increased staffing for two new branches opened in 1999 and normal salary increases. Occupancy expenses increased only $27 thousand, or 3% in 1999 after increasing $94 thousand, or 11% in 1998. The 1998 increase was primarily due to costs associated with opening the Old Point Trust and Financial Services Center in the Oyster Point area of Newport News VA. The Company continued to upgrade computer systems and outfit two new branches. The increase of $125 thousand in equipment expenses is principally related to depreciation expense on the new computer systems acquired for Year 2000 upgrades. Other operating expenses increased $95 thousand or 3%. Marketing, telephone and organizational expenses were primarily responsible for the increase in other expenses. The marketing expenses help fuel the Company's exceptional loan growth. A switch to high-speed communication lines increased telephone expense and the Company's spin-off of its Trust Department were responsible for the organization expenses.

**ASSETS**
At December 31, 1999, the Company had total assets of $436.3 million, up 8% from $404.1 million at December 31, 1998. Average assets in 1999 were $423.7 million compared to $380.8 million in 1998. The growth in assets in 1999 was due to the increase in loans, which were up 19% in 1999. These loans were partially funded by the 8% decrease in

investment securities and reductions in Federal funds sold. The Company also borrowed $7.0 million from the Federal Home Loan Bank.

The Old Point National Bank opened two new branches in 1999. The branch in Norge VA is new construction while the branch in Chesapeake VA was an existing branch building purchased by the Bank. The Woodland Road office was completely renovated adding additional square footage and parking. Two additional buildings were purchased in 1999. One building will be used for General Operations and the other facility will be used as a Commercial Services center.

**LOANS**
Total loans as of December 31, 1999 were $281.6 million, up 19% from $235.9 million at December 31, 1998. The Company realized significant growth in all categories of loans. Footnote 3 of the financial statements details the loan volume by category for the past two years.

**INVESTMENT SECURITIES**
At December 31, 1999 total investment securities were $127.0 million, down 8% from $137.5 million on December 31, 1998. The goal of the Company is to provide maximum return on the investment portfolio within the framework of its asset/liability objectives. These objectives include managing interest sensitivity, liquidity and pledging requirements.

**DEPOSITS**
At December 31, 1999, total deposits amounted to $360.9 million, up 5% from $343.4 million on December 31, 1998. Non-interest bearing deposits decreased $2.3 million, or 4%, at year-end 1999 over 1998. Savings deposits increased $7.1 million, or 6%, in 1999 over 1998. Certificates of Deposit increased $12.8 million or 8% in 1999 over 1998.

**STOCKHOLDERS' EQUITY**
Total stockholders' equity as of December 31, 1999 was $40.8 million, up 2% from $40.0 million on December 31, 1998. The Company is required to maintain minimum amounts of capital under banking regulations. Under the regulations, Total Capital is composed of core capital (Tier
1) and supplemental capital (Tier 2). Tier 1 capital consists of common stockholders' equity less goodwill. Tier 2 capital consists of certain qualifying debt and a qualifying portion of the allowance for loan losses. The following is a summary of the Company's capital ratios for 1999, 1998 and 1997.

| | 1999 Regulatory Requirements | 1999 | 1998 | 1997 |
|---|---|---|---|---|
| Tier 1 | 4.00% | 14.19% | 14.89% | 15.06% |
| Total Capital | 8.00% | 15.23% | 15.98% | 16.19% |
| Tier 1 Leverage | 3.00% | 10.08% | 10.26% | 10.32% |

Year-end book value was $15.80 in 1999 and $15.54 in 1998. Cash dividends were $1.4 million, or $.54 per share in 1999 and $1.2 million, or $.48 per share in 1998. The common stock of the Company has not been extensively traded. The table below shows the high and low closing prices for each quarter of 1999 and 1998. The stock was quoted on the OTC Bulletin Board under the symbol "OPOF" and the prices below are based on trades through the OTC Bulletin Board. There were 1419 stockholders of the Company as of December 31, 1999. This stockholder count does not include stockholders who hold their stock in a nominee registration. The following is a summary of the dividends paid and market price on Old Point Financial Corporation common stock for 1999 and 1998.

| | 1999 | Market Value | | 1998 | Market Value | |
|---|---|---|---|---|---|---|
| | Dividend | High | Low | Dividend | High | Low |
| 1st Quarter | $ 0.13 | $34.50 | $28.75 | $ 0.11 | $39.00 | $25.50 |
| 2nd Quarter | $ 0.13 | $30.00 | $24.00 | $ 0.11 | $44.00 | $37.00 |
| 3rd Quarter | $ 0.14 | $28.25 | $24.00 | $ 0.13 | $43.00 | $38.00 |
| 4th Quarter | $ 0.14 | $25.25 | $19.50 | $ 0.13 | $40.50 | $30.00 |

**LIQUIDITY**
Liquidity is the ability of the Company to meet present and future obligations through the acquisition of additional liabilities or sale of existing assets. Management considers the liquidity of the Company to be adequate. Sufficient assets are maintained on a short-term basis to meet the liquidity demands anticipated by Management. In addition, secondary sources are available through the use of borrowed funds if the need should arise.

**EFFECTS OF INFLATION**
Management believes that the key to achieving satisfactory performance in an inflationary environment is its ability to maintain or improve its net interest margin and to generate additional fee income. The Company's policy of investing in and funding with interest-sensitive assets and liabilities is intended to reduce the risks inherent in a volatile inflationary economy.

**Year 2000**

The Company is pleased to report that there have been no Year 2000 problems. Management attributes this to the extensive testing and preparation prior to January 1, 2000.

**Item 8. Financial Statement and Supplementary Data**

The consolidated financial statements and related footnotes of the company are presented below followed by the financial statements of the parent.

The following are the summarized financial statements of the Company.

Eggleston Smith P.C.
Certified Pulic Accountants & Consultants

To the Board of Directors
Old Point Financial Corporation
Hampton, Virginia

We have audited the accompanying consolidated balance sheets of Old Point Financial Corporation and subsidiary as of December 31, 1999 and 1998, and the related consolidated statements of income, cash flows and changes in stockholders' equity for each of the years in the three-year period ended December 31, 1999. 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 generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 consolidated financial statements referred to above, present fairly, in all material respects, the consolidated financial position of Old Point Financial Corporation and subsidiary as of December 31, 1999 and 1998, and the consolidated results of their operations and cash flows for each of the years in the three-year period ended December 31, 1999, in conformity with generally accepted accounting principles.

*/s/Eggleston Smith P.C.*
*-----------------------*
*Eggleston Smith P.C.*

*January 20, 2000*
*Newport News, Virginia*

CONSOLIDATED BALANCE SHEETS

| December 31, | 1999 | 1998 |
|---|---|---|
| | (Dollars in Thousands) | |
| ASSETS | | |
| Cash and due from banks | $ 10,400 | $10,311 |
| Investments: | | |
| Securities available-for-sale, at market | 81,147 | 82,568 |
| Securities to be held-to-maturity (Market value $44,271 in 1999 and $55,424 in 1998) | 45,839 | 54,919 |
| Federal funds sold | 241 | 6,578 |
| Loans, total | 281,647 | 235,865 |
| Less - allowance for loan losses | 3,111 | 2,855 |
| Net loans | 278,536 | 233,010 |
| Premises and equipment | 14,324 | 12,052 |
| Other real estate owned | 354 | 484 |
| Other assets | 5,453 | 4,196 |
| Total assets | $436,294 | $404,118 |
| LIABILITIES | | |
| Non interest-bearing deposits | $63,006 | $65,336 |
| Savings deposits | 128,763 | 121,682 |
| Certificates of Deposit | 169,149 | 156,395 |
| Total deposits | 360,918 | 343,413 |
| Federal funds purchased and securities sold under repurchase agreements | 22,841 | 19,128 |
| Federal Home Loan Bank advances | 7,000 | 0 |
| Interest bearing demand notes issued to the United States Treasury and other liabilities for borrowed money | 3,317 | 348 |
| Other liabilities | 1,404 | 1,216 |
| Total Liabilities | 395,480 | 364,105 |
| STOCKHOLDERS' EQUITY | | |
| Common stock, $5 par value, 6,000,000 shares authorized Issued 2,583,262 in 1999 and 2,575,444 in 1998 | 12,916 | 12,877 |
| Capital surplus | 10,186 | 10,020 |
| Retained earnings | 19,675 | 16,285 |
| Accumulated other comprehensive income | (1,963) | 831 |
| Total stockholders' equity | 40,814 | 40,013 |
| Total liabilities and stockholders' equity | $436,294 | $404,118 |

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF INCOME

| Years Ended December 31, | 1999 | 1998 | 1997 |
|---|---|---|---|
| | (Dollars in Thousands except per share amounts) | | |
| INTEREST INCOME | | | |
| Interest and fees on loans | $21,718 | $20,190 | $19,203 |
| Interest on investment securities | | | |
| Taxable | 4,846 | 5,284 | 4,473 |
| Exempt from income tax | 2,700 | 1,759 | 1,290 |
| | 7,546 | 7,043 | 5,763 |
| Interest on trading account securities | 0 | 0 | 0 |
| Interest on federal funds sold | 219 | 572 | 276 |
| Total interest income | 29,483 | 27,805 | 25,242 |
| INTEREST EXPENSE | | | |
| Interest on savings deposits | 3,796 | 3,390 | 2,773 |
| Interest on Certificates of Deposit | 8,752 | 8,201 | 6,948 |
| Interest on federal funds purchased and securities sold under repurchase agreements | 960 | 1,013 | 861 |
| Interest on Federal Home Loan Bank advances | 273 | 0 | 0 |
| Interest on demand notes issued to the United States Treasury and other liabilities for borrowed money | 81 | 96 | 99 |
| Total interest expense | 13,862 | 12,700 | 10,681 |
| Net interest income | 15,621 | 15,105 | 14,561 |
| Provision for loan losses | 650 | 650 | 600 |
| Net interest income after provision for loan losses | 14,971 | 14,455 | 13,961 |
| OTHER INCOME | | | |
| Income from fiduciary activities | 2,306 | 1,930 | 1,750 |
| Service charges on deposit accounts | 2,177 | 1,986 | 1,723 |
| Other service charges, commissions and fees | 691 | 642 | 573 |
| Security gains (losses), net | (54) | 0 | (1) |
| Income from trading account | 0 | 0 | 0 |
| Other operating income | 266 | 353 | 229 |
| Total other income | 5,386 | 4,911 | 4,274 |
| OTHER EXPENSE | | | |
| Salaries and employee benefits | 8,677 | 7,797 | 7,670 |
| Occupancy expense | 967 | 940 | 846 |
| Equipment expense | 1,294 | 1,169 | 1,094 |
| Other operating expense | 3,382 | 3,287 | 3,094 |
| Total other expenses | 14,320 | 13,193 | 12,704 |
| Income before income taxes | 6,037 | 6,173 | 5,531 |
| Income taxes | 1,215 | 1,537 | 1,441 |
| Net income | $ 4,822 | $ 4,636 | $ 4,090 |
| Basic Earnings per Share | | | |
| Average shares outstanding (in thousands) | 2,579 | 2,571 | 2,561 |
| Net income per share of common stock | $ 1.87 | $ 1.80 | $ 1.60 |
| Diluted Earnings per Share | | | |
| Average shares outstanding (in thousands) | 2,588 | 2,595 | 2,575 |
| Net income per share of common stock | $ 1.86 | $ 1.79 | $ 1.59 |

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

| Years Ended December 31, | 1999 | 1998 | 1997 |
|---|---|---|---|
| | (Dollars in Thousands) | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net income | $ 4,822 | $ 4,636 | $ 4,090 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 1166 | 990 | 941 |
| Provision for loan losses | 650 | 650 | 600 |
| (Gains) losses on sale of investment securities, net | 54 | 0 | 1 |
| Net amortization and accretion of securities | 83 | 169 | 368 |
| Net (increase) decrease in trading account | 0 | 0 | 0 |
| Loss on disposal of equipment | 78 | 0 | 0 |
| (Increase) decrease in other real estate owned............. | (216) | (297) | (613) |
| (Increase) decrease in other assets (net of tax effect of FASB 115 adjustment).............. | 182 | (887) | 16 |
| Increase (decrease) in other liabilities.................. | 188 | 167 | 59 |
| Net cash provided by operating activities............... | 7,007 | 5,428 | 5,462 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchases of investment securities ....................... | (26,529) | (77,059) | (31,001) |
| Proceeds from maturities and calls of securities .......... | 31,315 | 36,111 | 23,949 |
| Proceeds from sales of available - for - sale securities .. | 1346 | 0 | 6218 |
| Proceeds from sales of held - to - maturity securities | 0 | 0 | 0 |
| Loans made to customers.................................. | (121,045) | (147,183) | (123,513) |
| Principal payments received on loans...................... | 74,869 | 132,596 | 100,094 |
| Purchases of premises and equipment....................... | (3,516) | (3,303) | (1,304) |
| Proceeds from sales of premises and equipment............. | 0 | 4 | 23 |
| Proceeds from sales of other real estate owned............ | 346 | 587 | 193 |
| (Increase) decrease in federal funds sold................. | 6,337 | 399 | (6,416) |
| Net cash provided by (used in) investing activities...... | (36,877) | (57,848) | (31,757) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Increase (decrease) in non-interest bearing deposits....... | (2,330) | 12,976 | 4,826 |
| Increase (decrease) in savings deposits................... | 7,081 | 21,691 | 3,794 |
| Proceeds from the sale of Certificates of Deposit.......... | 56054 | 57762 | 59771 |
| Payments for maturing Certificates of Deposit............. | (43,300) | (36,116) | (44,810) |
| Increase (decrease) in federal funds purchased and repurchase agreements.................................. | 3,712 | (1,037) | 3,030 |
| Increase (decrease) in Federal Home Loan Bank advances | 7,000 | 0 | 0 |
| Increase (decrease) in interest bearing demand notes and other borrowed money.................... | 2,969 | (3,677) | 1,724 |
| Proceeds from issuance of common stock.................... | 166 | 158 | 230 |
| Dividends paid............................................ | (1,393) | (1,234) | (1,050) |
| Net cash provided by financing activities............... | 29,959 | 50,523 | 27,515 |
| Net increase (decrease) in cash and due from banks....... | 89 | (1,897) | 1,220 |
| Cash and due from banks at beginning of period........... | 10,311 | 12,208 | 10,988 |
| Cash and due from banks at end of period................ | $ 10,400 | $10,311 | $12,208 |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION | | | |
| Cash payments for: | | | |
| Interest................................................ | $ 13,702 | $12,533 | $10,587 |
| Income taxes............................................ | 1,150 | 1,600 | 1,475 |
| SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING TRANSACTIONS | | | |
| Unrealized gain (loss) on investment securities, net of tax................................ | $ (2,794) | $ 121 | $ 662 |

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

| | Common Stock (Par Value) | Capital Surplus | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Total Stockholder Equity |
|---|---|---|---|---|---|
| | | | (Dollars in Thousands) | | |
| YEAR ENDED DECEMBER 31, 1997 | | | | | |
| Balance, beginning of year | $ 6,368 | $ 9,345 | $16,639 | $ 48 | $32,400 |
| Comprehensive income | | | | | |
| Net income | 0 | 0 | 4,090 | 0 | 4,090 |
| (Decrease) increase in unrealized gain on investment securities | 0 | 0 | 0 | 662 | 662 |
| Total comprehensive income | 0 | 0 | 4,090 | 662 | 4,752 |
| Sale of stock | 48 | 348 | (166) | 0 | 230 |
| Stock dividend declared on common stock | 6,415 | 0 | (6,415) | 0 | 0 |
| Cash dividends paid | 0 | 0 | (1,050) | 0 | (1,050) |
| Balance, end of year | $12,831 | $ 9,693 | $13,098 | $ 710 | $36,332 |
| YEAR ENDED DECEMBER 31, 1998 | | | | | |
| Balance, beginning of year | $12,831 | $ 9,693 | $13,098 | $ 710 | $36,332 |
| Comprehensive income | | | | | |
| Net income | 0 | 0 | 4,636 | 0 | 4,636 |
| (Decrease) increase in unrealized gain on investment securities | 0 | 0 | 0 | 121 | 121 |
| Total comprehensive income | 0 | 0 | 4,636 | 121 | 4,757 |
| Sale of stock | 46 | 327 | (215) | 0 | 158 |
| Cash dividends paid | 0 | 0 | (1,234) | 0 | (1,234) |
| Balance, end of year | $12,877 | $10,020 | $16,285 | $ 831 | $40,013 |
| YEAR ENDED DECEMBER 31, 1999 | | | | | |
| Balance, beginning of year | $12,877 | $10,020 | $16,285 | $ 831 | $40,013 |
| Comprehensive income | | | | | |
| Net income | 0 | 0 | 4,822 | 0 | 4,822 |
| (Decrease) increase in unrealized gain on investment securities | 0 | 0 | 0 | (2,794) | (2,794) |
| Total comprehensive income | 0 | 0 | 4,822 | (2,794) | 2,028 |
| Sale of stock | 39 | 166 | (39) | 0 | 166 |
| Cash dividends paid | 0 | 0 | (1,393) | 0 | (1,393) |
| Balance, end of year | $12,916 | $10,186 | $19,675 | $(1,963) | $40,814 |

See Notes to Consolidated Financial Statements

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 1.SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Old Point Financial Corporation and its subsidiaries conform to generally accepted accounting principles and to general practice within the banking industry. The following is a summary of significant accounting and reporting policies:

**PRINCIPLES OF CONSOLIDATION:**
The consolidated financial statements include the accounts of Old Point Financial Corporation ("the Company") and its subsidiaries The Old Point National Bank of Phoebus ("the Bank") and Old Point Trust & Financial Services N.A. ("Trust"). All significant intercompany balances and transactions have been eliminated in consolidation.

**NATURE OF BUSINESS:**
Old Point Financial Corporation is a two-bank holding company that conducts substantially all of its operations through its subsidiaries, The Old Point National Bank of Phoebus and Old Point Trust and Financial Services, N.A. The Bank services individual and commercial customers, the majority of which are in Hampton Roads. The Bank has fourteen branch offices. The Bank offers a full range of deposit and loan products to its retail and commercial customers. Substantially all of the Bank's deposits are interest bearing. The majority of the Bank's loan portfolio is secured by real estate. Trust offers a full range of services for individuals and businesses. Products and services include retirement planning, estate planning, financial planning, trust accounts, tax services, and investment management services.

**USE OF ESTIMATES:**
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. The amounts recorded in the financial statements may be affected by those estimates and assumptions. Actual results may vary from those estimates.

The Company uses estimates primarily in developing its allowance for loan losses, in computing deferred tax assets, in determining the estimated useful lives of premises and equipment, and in the valuation of other real estate owned.

**INVESTMENT SECURITIES:**
Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" (SFAS 115), addresses the accounting and reporting for investments in equity securities that have readily determinable fair values and for all investments in debt securities. Those investments are to be classified in three categories and accounted for as follows:

Held-to-maturity - Debt securities for which the Corporation has the positive intent and ability to hold to maturity are classified as held-to-maturity securities and reported at cost, adjusted for premiums and discounts that are recognized in interest income using the interest method over the period to maturity.

Trading - Debt and equity securities that are bought and held principally for the purpose of selling them in the near term are classified as trading account securities and recorded at their fair values. Unrealized gains and losses on trading account securities are included immediately in income.

Available-for-sale - Debt and equity securities not classified as either held-to-maturity securities or trading account securities are classified as available-for-sale securities and recorded at fair value, with unrealized gains and losses reported as a component of comprehensive income. Gains and losses on the sale of available-for-sale securities are determined using the specific identification method. Premiums and discounts are recognized in interest income using the interest method over the period to maturity.

**INTEREST ON LOANS:**
Interest is accrued daily on the outstanding loan balances. Accrual of interest is discontinued on a loan when management believes, after considering collection efforts and other factors, that the borrower's financial condition is such that collection of interest is doubtful.

**LOAN ORIGINATION FEES AND COSTS:**
Loan origination fees and certain direct origination costs are capitalized and recognized as an adjustment of the yield on the related loan.

**ALLOWANCE FOR LOAN LOSSES:**
The allowance for loan losses is generated by direct charges against income and is available to absorb loan losses. The allowance is based upon management's periodic evaluation of changes in the overall credit worthiness of the loan portfolio, economic conditions in general, and the effect of these conditions upon the financial status of specific borrowers and other factors.

The Bank is subject to regulation by the Office of the Comptroller of the Currency. They may require that the Bank adjust its allowance for loan losses upon request.

**OTHER REAL ESTATE OWNED:**
Other real estate owned is carried at the lower of cost or estimated fair value and consists of foreclosed real property and other property held for sale. The estimated fair value is reviewed periodically by management and any write-downs are charged against current earnings.

**PREMISES AND EQUIPMENT:**
Premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are calculated on both straight-line and accelerated methods and are charged to expense over the estimated useful lives of the related assets. Costs of maintenance and repairs are charged to expense as incurred.

**INCOME TAXES:**
Income taxes are provided based upon income reported in the statements of income (after exclusion of non-taxable income such as interest on state and municipal securities). The income tax effect resulting from timing differences between financial statement pre-tax income and taxable income is deferred to future periods.

**PENSION PLAN:**
The Company has a non-contributory defined benefit pension plan covering substantially all of its employees. Benefits are based on years of service and average earnings during the highest average sixty-month period during the final one hundred and twenty months of employment.

The Company's policy is to fund the maximum amount of contributions allowed for tax purposes. The Bank accrues an amount equal to its actuarially computed obligation under the plan.

The net periodic pension expense includes a service cost component, interest on the projected benefit obligation, return on plan assets and the effect of deferring and amortizing certain actuarial gains and losses and the unrecognized net transition asset over fifteen years.

**TRUST ASSETS AND INCOME:**
Assets held by Trust are not included in the financial statements, because such items are not assets of the Company. In accordance with industry practice, trust service income is recognized primarily on the cash basis. Reporting such income on the accrual basis would not materially effect net income.

Advertising Expense
Advertising expenses are expensed as incurred.

**RECLASSIFICATIONS:**
Certain amounts in the financial statements have been reclassified to conform with classifications adopted in the current year.

**NOTE 2, Investment Securities**

At December 31, 1999, the investment securities portfolio is composed of securities classified as held-to-maturity and available-for-sale, in conjunction with SFAS 115. Investment securities held-to-maturity are carried at cost, adjusted for amortization of premiums and accretions of discounts, and investment securities available-for-sale are carried at market value.

The amortized cost and fair value of investment securities held-to-maturity at December 31, 1999 and 1998, were:

| | Amortized Cost | Unrealized Gains | Unrealized Losses | Market Value |
|---|---|---|---|---|
| | | (Dollars in Thousands) | | |
| December 31, 1999: | | | | |
| Obligations of United States Government Agencies | $44,434 | $ 0 | $(1,541) | $42,893 |
| Obligations of state and political subdivisions | 1,405 | 0 | (27) | 1,378 |
| | $45,839 | $ 0 | $(1,568) | $44,271 |
| December 31, 1998: | | | | |
| Obligations of United States Government Agencies | $54,919 | $505 | $ 0 | $55,424 |

The amortized cost and fair values of investment securities available-for-sale at December 31, 1999 were:

| | Amortized Cost | Unrealized Gains | Unrealized Losses | Market Value |
|---|---|---|---|---|
| | | (Dollars in Thousands) | | |
| United States Treasury securities | $ 1,045 | $ 0 | ($11) | $ 1,034 |
| Obligations of other United States Government agencies | 20,584 | 0 | (889) | 19,695 |
| Obligations of state and political subdivisions | 57,391 | 305 | (2,255) | 55,441 |
| Adjustable Rate Mortgage Fund | 3,674 | | (139) | 3,535 |
| Federal Home Loan Bank Stock | 1,208 | 0 | 0 | 1,208 |
| Federal Reserve Bank stock | 169 | 0 | 0 | 169 |
| Other marketable equity securities | 50 | 17 | (2) | 65 |
| Total | $84,121 | $322 | $(3,296) | $81,147 |

The amortized cost and fair values of investment securities available-for-sale at December 31, 1998 were:

| | Amortized Cost | Unrealized Gains | Unrealized Losses | Market Value |
|---|---|---|---|---|
| | | (Dollars in Thousands) | | |
| United States Treasury securities | $ 7,526 | $ 30 | $ 0 | $ 7,556 |
| Obligations of other United States Government agencies | 19,611 | 261 | (24) | 19,848 |
| Obligations of state and political subdivisions | 48,596 | 1,395 | (235) | 49,756 |
| Adjustable Rate Mortgage Fund | 4,400 | | (161) | 4,239 |
| Federal Home Loan Bank Stock | 1,042 | 0 | 0 | 1,042 |
| Federal Reserve Bank stock | 85 | 0 | 0 | 85 |
| Other marketable equity securities | 50 | 0 | (8) | 42 |
| Total | $81,310 | $1,686 | $(428) | $82,568 |

**NOTE 2, Investment Securities (Continued)**

Investment securities carried at $47.3 million and $37.8 million at December 31, 1999 and 1998, respectively, were pledged to secure public deposits and securities sold under agreements to repurchase and for other purposes required or permitted by law.

The amortized cost and approximate market values of investment securities at December 31, 1999 by contractual maturity are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

| | December 31, 1999 | | | |
|---|---|---|---|---|
| | Available-For-Sale | | Held-To-Maturity | |
| | Amortized Cost | Market Value | Amortized Cost | Market Value |
| | (Dollars in Thousands) | | | |
| Due in one year or less | $ 4,278 | $ 4,187 | $ 0 | $ 0 |
| Due after one year through five years | 17,656 | 17,317 | 30,836 | 29,884 |
| Due after five years through ten years | 36,563 | 35,735 | 13,598 | 13,008 |
| Due after ten years | 20,523 | 18,930 | 1,405 | 1,379 |
| Total debt securities | 79,020 | 76,169 | 45,839 | 44,271 |
| Other securities without stated maturities | 5,101 | 4,978 | 0 | 0 |
| Total investment securities | $84,121 | $81,147 | $45,839 | $44,271 |

The proceeds from the sale and maturities of investment securities, and the related realized gains and losses are shown below:

| | 1999 | 1998 | 1997 |
|---|---|---|---|
| | (Dollars in Thousands) | | |
| Proceeds from sales and maturities of investments | $32,566 | $36,111 | $30,167 |
| Realized gains | $ 0 | $ 0 | $ 3 |
| Realized losses | 54 | 0 | 4 |
| Net gains (losses) | $ (54) | $ 0 | $ (1) |

**NOTE 3, Loans**

At December 31, loans before allowance for loan losses consisted of:

| | 1999 | 1998 |
|---|---|---|
| | (Dollars in Thousands) | |
| Commercial and other | $62,257 | $53,793 |
| Real estate - construction | 11,461 | 5,418 |
| Real estate - mortgage | 140,004 | 116,635 |
| Installment loans to individuals | 65,178 | 58,618 |
| Tax exempt loans | 2,747 | 1,401 |
| Total | $281,647 | $235,865 |

Information concerning loans which are contractually past due or in non-accrual status is as follows:

| | 1999 | 1998 |
|---|---|---|
| | (Dollars in Thousands) | |
| Contractually past due loans - past due 90 days or more and still accruing interest | $1,351 | $641 |
| Loans which are in non-accrual status | $514 | $253 |

The Bank has had, and may be expected to have in the future, banking transactions in the ordinary course of business with directors, executive officers, their immediate families, and companies in which they are principal owners (commonly referred to as related parties), on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with others. The aggregate direct and indirect loans of these persons totaled $2.0 million and $1.8 million at December 31, 1999 and 1998, respectively. These totals do not include loans made in the ordinary course of business to other companies where a director or executive officer of the Bank was also a director or officer of such company but not a principal owner. None of the directors or executive officers had direct or indirect loans exceeding 10% of stockholders' equity at December 31, 1999.

The bank does not account for any of its loans under the provisions of Statement of Financial Accounting Standards No. 114 or 118 related to impaired loans.

**NOTE 4, Allowance for Loan Losses**

Changes in the allowance for loan losses are as follows:

| | 1999 | 1998 | 1997 |
|---|---|---|---|
| | (Dollars in Thousands) | | |
| Balance, beginning of year | $2,855 | $2,671 | $2,330 |
| Recoveries | 399 | 481 | 609 |
| Provision for loan losses | 650 | 650 | 600 |
| Loans charged off | (793) | (947) | (868) |
| Balance, end of year | $3,111 | $2,855 | $2,671 |

**NOTE 5, Premises and Equipment**

At December 31, premises and equipment consisted of:

| | 1999 | 1998 |
|---|---|---|
| | (Dollars in Thousands) | |
| Land | $ 3,005 | $2,458 |
| Buildings | 11,267 | 9,879 |
| Leasehold improvements | 882 | 882 |
| Furniture, fixtures and equipment | 10,457 | 9,925 |
| Total cost | 25,611 | 23,144 |
| Less accumulated depreciation and amortization | 11,287 | 11,092 |
| Net book value | $14,324 | $12,052 |

**NOTE 6, Other Real Estate Owned**

Other real estate consisted of the following at December 31:

| | 1998 | 1998 |
|---|---|---|
| | (Dollars in Thousands) | |
| Foreclosed real estate | $ 0 | $130 |
| Property held for sale | 354 | 354 |
| Total | $354 | $484 |

**NOTE 7, Indebtedness**

The Bank's short-term borrowings include federal funds purchased, securities sold under repurchase agreements (including $1.4 million to directors in 1999 and 1998) and United States Treasury Demand Notes. The federal funds purchased and securities sold under repurchase agreements are held under various maturities and interest rates. The United States Treasury Demand Notes are subject to call by the United States Treasury with interest paid monthly at the rate of 25 basis points (1/4%) below the federal funds rate.

**NOTE 8, Stock Option Plan**

The Company has stock option plans which reserve 137,974 shares of common stock for grants to key employees. The exercise price of each option equals the market price of the Company's common stock on the date of the grant and an option's maximum term is ten years. A summary of the exercisable incentive stock options is presented below:

| | Outstanding Beginning of Year | Granted During the Year | Exercised During the Year | Expired During the Year | Outstanding At End of Year |
|---|---|---|---|---|---|
| **1997** | | | | | |
| Shares | 92,346 | 25,754 | (22,280) | (11,286) | 84,534 |
| Weighted average exercisable price | $17.13 | $20.75 | $13.12 | $18.60 | $19.09 |
| **1998** | | | | | |
| Shares | 84,534 | 64,500 | (5,400) | 0 | 143,634 |
| Weighted average exercisable price | $19.09 | $41.86 | $18.54 | $0 | $29.33 |
| **1999** | | | | | |
| Shares | 143,634 | 0 | (3,620) | (2,040) | 137,974 |
| Weighted average exercisable price | $29.33 | $0.00 | $18.48 | $30.94 | $29.60 |

At December 31, 1999, exercise prices on outstanding options ranged from $18.13 to $41.86 per share and the weighted average remaining contractual life was 7 years.

**NOTE 8, Stock Option Plan (Continued)**

The Company accounts for its stock option plans in accordance with APB Opinion No. 25, Accounting for Stock Issued to Employees, which does not allocate costs to stock options granted at current market values. The Company could, as an alternative, allocate costs to stock options using option pricing models, as provided in Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation. Because of the limited number of options granted and the limited amount of trading activity in the Company's stock, management believes that stock options are best accounted for in accordance with APB Opinion No. 25. However, had the stock options been accounted for in accordance with SFAS No. 123, pro-forma amounts for net earnings and earnings per share would have been as follows for each of the years ending December 31:

| | 1999 | 1998 | 1997 |
|---|---|---|---|
| Pro-forma net income (in thousands) | $4,793 | $4,565 | $4,041 |
| Pro-forma earnings per share | $ 1.85 | $ 1.76 | $ 1.57 |

Pro-forma amounts were computed using a 6% risk free interest rate over a 10 year term using an annual dividend rate of between 1.29% and 2.02 and a .01% volatility rate.

The pro-forma effect of the potential exercise of stock options on basic earnings per share would be to increase the number of weighted average number of outstanding shares by approximately 16,000 in 1999, 24,000 in 1998, 14,000 in 1997.

The Company also has an Employee Stock Purchase Plan which reserves 61,146 shares of common stock for eligible employees. The purchase price is 95% of the lesser of (1) the common stock's fair market value at July 1 or
(2)the common stock's fair market value at the following June 30. During 1999, 5,114 shares of common stock were purchased by employees.

**NOTE 9, Income Taxes**

The components of income tax expense are as follows:

| | 1999 | 1998 | 1997 |
|---|---|---|---|
| | (Dollars in Thousands) | | |
| Currently payable | $1,213 | $1,564 | $1,458 |
| Deferred | 2 | (27) | (17) |
| Reported tax expense | $1,215 | $1,537 | $1,441 |

The items that caused timing differences affecting deferred income taxes are as follows:

| | 1999 | 1998 | 1997 |
|---|---|---|---|
| | (Dollars in Thousands) | | |
| Provision for loan losses | $(108) | $(156) | $(186) |
| Pension plan expenses | 34 | 46 | 17 |
| Deferred loan fees, net | 27 | (22) | 24 |
| Security gains and losses | (6) | 0 | (4) |
| Interest on certain non-accrual loans | 22 | 68 | 95 |
| Depreciation | 38 | 31 | 37 |
| Other | (5) | 6 | 0 |
| Total | $ 2 | $ (27) | $ (17) |

A reconciliation of the "expected" Federal income tax expense on income before income taxes with the reported income tax expense follows:

| | 1999 | 1998 | 1997 |
|---|---|---|---|
| | (Dollars in Thousands) | | |
| Expected tax expense (34%) | $2,053 | $2,099 | $1,880 |
| Interest expense on tax exempt assets | 128 | 82 | 57 |
| Tax exempt interest | (967) | (640) | (494) |
| Disqualified incentive stock options | (14) | (10) | (2) |
| Other, net | 15 | 6 | 0 |
| Reported tax expense | $1,215 | $1,537 | $1,441 |

**NOTE 9, Income Taxes (Continued)**

The components of the net deferred tax asset included in other assets are as follows at December 31:

| | 1999 | 1998 |
|---|---|---|
| | (Dollars in Thousands) | |
| Components of Deferred Tax Liability: | | |
| Depreciation | $ (217) | $(179) |
| Accretion of discounts on securities | (12) | (9) |
| Net unrealized (gain) on available-for-sale securities | 0 | (428) |
| Deferred loan fees and costs | (125) | (70) |
| Pension | (73) | (38) |
| Deferred tax liability | (427) | (724) |
| Components of Deferred Tax Asset: | | |
| Allowance for loan losses | 817 | 709 |
| Net unrealized loss on available-for-sale securities | 1,011 | 0 |
| Interest on non-accrual loans | 125 | 147 |
| Deferred compensation | 2 | 5 |
| Capital loss carry forward | 18 | 0 |
| Deferred tax asset, net | $1,546 | $ 137 |

**NOTE 10, Lease Commitments**

The Bank has noncancellable leases on premises and equipment expiring at various dates, including extensions to the year 2011. Certain leases provide for increased annual payments based on increases in real estate taxes and the Consumer Price Index.

The total approximate minimum rental commitment at December 31, 1999, under noncancellable leases is $1.2 million which is due as follows:

**Year (Dollars in Thousands)**

| | |
|---|---|
| 2000 | $ 219 |
| 2001 | 216 |
| 2002 | 216 |
| 2003 | 129 |
| 2004 | 101 |
| Remaining term of leases | 314 |
| **Total** | **$1,195** |

The aggregate rental expense of premises and equipment was $219 thousand, $220 thousand and $208 thousand for 1999, 1998 and 1997 respectively.

## NOTE 11, Pension Plan

The following tables set forth the Pension Plan's changes in benefit obligation, plan assets, funded status, assumptions and the components of net periodic benefit cost recognized in the Bank's financial statements at December 31:

| | Pension Benefits 1999 | Pension Benefits 1998 |
|---|---|---|
| | (Dollars in Thousands) | |
| Change in benefit obligation | | |
| Benefit obligation at beginning of year | $2,721 | $2,445 |
| Service cost | 158 | 148 |
| Interest cost | 216 | 193 |
| Actuarial change | 0 | 86 |
| Benefits paid | (647) | (151) |
| Benefit obligation at end of year | $2,448 | $2,721 |
| Change in plan assets | | |
| Fair value of plan assets at beginning of year | $2,830 | $2,341 |
| Actual return on plan assets | 326 | 352 |
| Employer contribution | 244 | 288 |
| Benefits paid | (647) | (151) |
| Fair value of plan assets at end of year | $2,753 | $2,830 |
| Funded Status | $ (305) | $ (109) |
| Unrecognized prior service cost | (29) | (36) |
| Unrecognized transition obligation | 25 | 38 |
| Unrecognized actuarial gains (loss) | 95 | (8) |
| Prepaid (accrued) benefit cost | $ (214) | $ (115) |

Weighted-average assumptions as of December 31:

| | 1999 | 1998 |
|---|---|---|
| Discount rate | 8.00% | 8.00% |
| Expected return on plan assets | 8.00% | 8.00% |
| Rate of compensation increase | 5.00% | 5.00% |

| | 1999 | 1998 | 1997 |
|---|---|---|---|
| | (Dollars in Thousands) | | |
| Components of net periodic benefit cost | | | |
| Service Cost | $158 | $148 | $141 |
| Interest cost | 216 | 193 | 179 |
| Expected return on plan assets | (224) | (185) | (158) |
| Amortization of prior service cost | 7 | 7 | 6 |
| Amortization of transition obligation | (12) | (12) | (12) |
| Net periodic benefit cost | $145 | $151 | $156 |

## NOTE 12, Profit Sharing

The Bank has a defined contribution profit sharing and thrift plan covering substantially all of its employees. The Bank may make profit sharing contributions to the plan as determined by the Board of Directors. In addition, the Bank matches thrift contributions by employees fifty cents for each dollar contributed. Expenses related to the plan totaled $246 thousand and $283 thousand in 1999 and 1998 respectively.

**NOTE 13, Commitments and Contingencies**

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities. These commitments and contingencies represent off-balance sheet risk for the Bank. To meet the financing needs of its customers, the Bank makes lending commitments under commercial lines of credit, home equity loans and construction and development loans. The Bank also incurs contingent liabilities related to irrevocable letters of credit.

Off- balance sheet items at December 31 are as follows:

| | 1999 | 1998 |
|---|---|---|
| | (Dollars in Thousands) | |
| Commitments to extend credit: | | |
| Home equity lines of credit | $11,027 | $10,463 |
| Construction and development loans committed but not funded | 7,797 | 9,168 |
| Other lines of credit (principally commercial) | 30,339 | 32,514 |
| Total | $49,163 | $52,145 |

Irrevocable letters of credit $ 693 $ 646

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank, upon extensions of credit is based on management's credit evaluation of the customer. Collateral held varies but may include accounts receivable, inventory, property, plant and equipment, and income-producing commercial properties.

Standby letters of credit and financial guarantees written are conditional commitments issued by the bank to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support private borrowing agreements. Most guarantees extend for less than two years and expire in decreasing amounts through 2001. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers. The Bank holds various collateral supporting those commitments for which collateral is deemed necessary.

## NOTE 14, Fair Value of Financial Instruments

The estimated fair value of the Bank's financial instruments at December 31 are as follows:

| | 1999 | | 1998 | |
|---|---|---|---|---|
| | Carrying Amount (Dollars in Thousands) | Fair Value | Carrying Amount (Dollars in Thousands) | Fair Value |
| Cash and due from banks | $10,400 | $10,400 | $10,311 | $10,311 |
| Investment securities, held-to-maturity | 45,839 | 44,271 | 54,919 | 55,424 |
| Investment securities, available-for-sale | 81,147 | 81,147 | 82,568 | 82,568 |
| Federal funds sold | 241 | 241 | 6,578 | 6,578 |
| Loans, net of allowances for loan losses | 278,536 | 274,780 | 233,010 | 234,072 |
| Deposits: | | | | |
| Non-interest bearing deposits | 63,006 | 63,006 | 65,336 | 65,336 |
| Savings deposits | 128,763 | 128,763 | 121,682 | 121,682 |
| Certificates of Deposit | 169,149 | 168,431 | 156,395 | 157,322 |
| Securities sold under repurchase agreement and federal funds purchased | 22,841 | 22,841 | 19,128 | 19,128 |
| Federal Home Loan Bank Advances | 7,000 | 6,645 | 0 | 0 |
| Interest bearing U.S. Treasury demand notes and other liabilities for borrowed money | 3,317 | 3,317 | 348 | 348 |
| Commitments to extend credit | 49,163 | 49,163 | 52,145 | 52,145 |
| Irrevocable letters of credit | 693 | 693 | 646 | 646 |

The above presentation of fair values is required by the Statement of Financial Accounting Standards No. 107 "Disclosures about Market Values of Financial Instruments". The fair values shown do not necessarily represent the amounts which would be received on sale or other disposition of the instrument.

The carrying amounts of cash and due from banks, federal funds sold, demand and savings deposits and securities sold under repurchase agreements represent items which do not present significant market risks, are payable on demand or are of such short duration that the market value approximates carrying value.

Investment securities are valued at the quoted market price for individual securities held.

The fair value of loans is estimated by discounting future cash flows using current rates at which similar loans would be made to borrowers.

Certificates of deposit are presented at estimated fair value using rates currently offered for deposits of similar remaining maturities.

## NOTE 15, Regulatory Matters

The Company is required to maintain minimum amounts of capital to "risk weighted" assets, as defined by the banking regulators. At December 31, 1999, the Company is required to have minimum Tier 1 and Total capital ratios of 4.00% and 8.00% respectively. The Company's actual ratios at that date were 14.19% and 15.23%. The Company's leverage ratio at December 31, 1999 was 10.08%.

The approval of the Comptroller of the Currency is required if the total of all dividends declared by a national bank in any calendar year exceeds the bank's net profits for that year combined with its retained net profits for the preceding two calendar years. Under this formula, the banking subsidiary can distribute as dividends to the Company in 2000, without approval of the Comptroller of the Currency, $6.1 million plus an additional amount equal to the Bank's retained net profits for 2000 up to the date of any dividend declaration.

## OLD POINT FINANCIAL CORPORATION
## PARENT ONLY
## BALANCE SHEETS

| As of December 31, Dollars in thousands | 1999 | 1998 |
|---|---|---|
| ASSETS | | |
| Cash in bank | $ 60 | $ 294 |
| Investment securities | 1,405 | 2,107 |
| Total Loans | 0 | 0 |
| Investment in subsidiaries | 39,250 | 37,598 |
| Other real estate owned | 0 | 0 |
| Other assets | 25 | 14 |
| TOTAL ASSETS | $40,740 | $40,013 |
| LIABILITIES AND STOCKHOLDERS EQUITY | | |
| Notes payable - bank | $ 0 | $ 0 |
| Other liabilities | 0 | 0 |
| Total liabilities | 0 | 0 |
| Stockholders' equity | 40,740 | 40,013 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | $40,740 | $40,013 |

OLD POINT FINANCIAL CORPORATION
PARENT ONLY
INCOME STATEMENTS

| For the year ended December 31, Dollars in thousands | 1999 | 1998 | 1997 |
|---|---|---|---|
| INCOME | | | |
| Cash dividends from subsidiaries | $1,985 | $1,300 | $1,000 |
| Interest and Fees on Loans | 0 | 0 | 1 |
| Interest income from investment securities | 27 | 106 | 105 |
| Securities gains (losses) | (54) | | |
| Other income | 76 | 0 | 0 |
| TOTAL INCOME | 2,034 | 1,406 | 1,106 |
| EXPENSES | | | |
| Interest on borrowed money | 0 | 0 | 0 |
| Other expenses | 47 | 41 | 50 |
| TOTAL EXPENSES | 47 | 41 | 50 |
| Income before taxes and undistributed net income of subsidiaries | 1,987 | 1365 | 1056 |
| Income tax | (7) | 22 | 19 |
| Net income before undistributed net income of subsidiaries | 1,994 | 1,343 | 1,037 |
| Undistributed net income of subsidiaries | 2,755 | 3,293 | 3,053 |
| NET INCOME | $4,749 | $4,636 | $4,090 |

OLD POINT FINANCIAL CORPORATION
PARENT ONLY
STATEMENT OF CASH FLOWS

| For the year ending December 31, Dollars in thousands | 1999 | 1998 | 1997 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net income (Loss) | $4,749 | $4,636 | $4,090 |
| Adjustments to Reconcile Net Income to Net Cash Provided by operating activities: | | | |
| Equity in undistributed (earnings) losses of subsidiaries | (2,755) | (3,293) | (3,053) |
| (Gain) or Loss on sales of assets | 54 | 0 | 0 |
| Increase (decrease) in other assets | (25) | 0 | 53 |
| Increase (decrease) in other liabilities | 0 | (12) | 11 |
| Net cash provided (used) by operating activities | 2,023 | 1,331 | 1,101 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of investment securities | (1,500) | 0 | 0 |
| Sales of available-for-sale securities | 1,441 | (250) | (200) |
| Payments for investments in and advances to subsidiaries | (1,020) | 0 | 0 |
| Sale or repayment of investments in and advances to subsidiaries | 50 | 0 | 0 |
| (Purchase)/Sale of Premises and Equipment | 0 | 0 | 16 |
| Loans to customers | 0 | 0 | 48 |
| Net cash provided (used) by investing activities | (1,029) | (250) | (136) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Increase (decrease) in borrowed money | 0 | 0 | 0 |
| Proceeds from issuance of common stock | 165 | 158 | 231 |
| Dividends paid | (1,393) | (1,234) | (1,050) |
| Other, net | 0 | 0 | 0 |
| Net cash provided (used) by financing activities | (1,228) | (1,076) | (819) |
| Net increase in cash and due from banks | (234) | 5 | 146 |
| Cash and due from banks at beginning of period | 294 | 289 | 143 |
| Cash and due from banks at end of period | $ 60 | $ 294 | $ 289 |

### Accounting Rule Changes

None.

### Regulatory Requirements and Restrictions

For the reserve maintenance period in effect at December 31, 1999, 1998 and 1997 the bank was required to maintain with the Federal Reserve Bank of Richmond an average daily balance totaling approximately $350 thousand, $350 thousand and $400 million respectively.

### Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

## PART III

### Item 10. Directors and Executive Officers of the Registrant

The eleven persons named below, all of whom currently serve as directors of the Company, will be nominated to serve as directors until the 2001 Annual Meeting, or until their successors have been duly elected and have qualified.

| Name and (Age) | Director Since (1) | Principal Occupation For Past Five Years | Amount and Nature of Beneficial Ownership As of March 14, 2000 (Percent of Class)(2)(3) | |
|---|---|---|---|---|
| Dr. Richard F. Clark (67) | 1981 | Pathologist(retired) Sentara Hampton General Hospital | 63,533 (2.5%) | (4) |
| Russell Smith Evans Jr. (57) | 1993 | Assistant Treasurer and Corporate Fleet Manager Ferguson Enterprises | 2,650 * | (4) |
| G. Royden Goodson, III (44) | 1994 | President Warwick Plumbing & Heating Corp. | 4,862 * | (4) |
| Dr. Arthur D. Greene (55) | 1994 | Surgeon - Partner Tidewater Orthopaedic Associates | 3,914 * | (4) |
| Stephen D. Harris (58) | 1988 | Attorney-at-Law - Partner Geddy, Harris, Franck & Hickman, L.L.P. & Geddy | 9,000 * | (4) |
| John Cabot Ishon (53) | 1989 | President Hampton Stationery | 12,780 * | (4) |
| Eugene M. Jordan (76) | 1964 | Attorney-at-Law | 28,000 (1.1%) | (4) |
| John B. Morgan, II (53) | 1994 | President Morgan-Marrow Insurance | 2,600 * | (4) |
| Louis G. Morris (45) | 2000 | President & CEO Old Point National Bank | 20,729 * | (4) |
| Dr. H. Robert Schappert (61) | 1996 | Veterinarian - Owner Beechmont Veterinary Hospital | 89,740 (3.5%) | (4) |
| Robert F. Shuford (62) | 1965 | Chairman of the Board, President & CEO, Old Point Financial Corporation Chairman of the Board, President & CEO Old Point National Bank | 156,898 (6.0%) | (4)(5) |

------------------------

*Represents less than 1.0% of the total outstanding shares.

(1) Refers to the year in which the individual first became a director of the Bank. Dr. Richard F. Clark, Eugene M. Jordan, and Robert F. Shuford became directors of the Company upon consummation of the Bank's reorganization on October 1, 1984. All present directors of the Company are directors of the Bank. Dr. Richard F. Clark, Dr. Arthur D. Greene, Mr. John C. Ishon and Mr. Robert F. Shuford are directors of the Trust Company.

(2) For purposes of this table, beneficial ownership has been determined in accordance with the provisions of Rule 13d-3 of the Securities Exchange Act of 1934 under which, in general, a person is deemed to be the beneficial owner of a security if he or she has or shares the power to vote or direct the voting of the security or the power to dispose of or direct the disposition of the security, or if he or she has the right to acquire beneficial ownership of the security within sixty days.

(3) Includes shares held (i) by their close relatives or held jointly with their spouses, (ii) as custodian or trustee for the benefit of their children or others, or (iii) as attorney-in-fact subject to a general power of attorney - Dr. Clark, 200 shares; Mr. Evans, 650 shares; Dr. Greene, 1,968 shares; Mr. Harris, 400 shares, Mr. Ishon, 3,480 shares; Mr. Jordan, 14,000 shares; Mr. Morgan, 2,400 shares; Dr. Schappert, 81,370 shares; and Mr. Shuford, 75,590 shares.

(4) Includes shares that may be acquired within 60 days pursuant to the exercise of stock options granted under the 1989 and 1998 Old Point Stock Option Plans - Dr. Clark 1,000, Mr. Evans 1,000, Mr. Goodson 1,000, Dr. Greene 1,000, Mr. Harris 1,000, Mr. Ishon 1,000, Mr. Jordan 1,000, Mr. Morgan 1,000, Mr. Morris 6,998, Dr. Schappert 1,000, and Mr. Shuford 24,182.

(5) Mr. Shuford is one of three directors of the VuBay Foundation, a charitable foundation organized under 501(c)(3) of the Internal Revenue Code of 1986, as amended. A majority of the Directors have the power to vote shares of Company common stock owned by the foundation. The foundation owned 2,300 shares of stock as of March 14, 2000. Mr. Shuford disclaims any beneficial ownership of these shares.

There are two family relationships among the directors and executive officers. Mr. Jordan is the father-in-law of Mr. Ishon. Mr. Shuford and Dr. Schappert are married to sisters. None of the directors serve as a director of any other company with a class of securities registered pursuant to Section 12 of the Securities Exchange Act of 1934.

There were no delinquent Securities and Exchange Commission Form 4 filings during 1999.

In addition to the executive officers included in the preceding list of directors, the persons listed below were executive officers of the Company.

| Name and (Age) | Principal Occupation with the Registrant |
|---|---|
| Cary B. Epes (51) | Senior Vice President/Credit Mr. Epes also serves as Executive Vice President and Chief Credit Officer for Old Point National Bank. |
| Margaret P. Causby (49) | Senior Vice President/Administration Ms. Causby also serves as Executive Vice President and Chief Administration Officer for Old Point National Bank. |
| Frank E. Continetti (40) | Executive Vice President/Trust Mr. Continetti also serves as President and Chief Executive Officer for Old Point Trust and Financial Services, N.A. |
| Laurie D. Grabow (42) | Senior Vice President/Finance Ms. Grabow also serves as Senior Vice President Chief Financial Officer for Old Point National Bank |

Each of these executive officers owns less than 1% of the stock of the Company.

**Item 11 Executive Compensation**

**Cash Compensation**

The following table presents a three-year summary of all compensation paid or accrued by the Company and the Bank to the Company's Chief Executive Officer and each executive officer whose salary and bonus for 1999 exceeded $100,000. The table also presents the number and percentage of shares of the Company's Common Stock held by these executive officers, who are all executive officers of the Company.

SUMMARY COMPENSATION TABLE

| | Annual Compensation | | | | |
|---|---|---|---|---|---|
| Name and Principal Position | Year | Salary(1) | Bonus(2) | All Othere Compensation(3) | Amount and Nature of Beneficial Ownership as of March 14, 2000 (Percent of Class)(4)(5)(6) |
| Robert F. Shuford | 1999 | $153,500 | $27,000 | $17,556 | 156,898 |
| Chairman, President | 1998 | $151,200 | $34,560 | $17,765 | (6.0%) |
| & CEO(Company) | 1997 | $148,500 | $26,000 | $16,092 | |
| Louis G. Morris | 1999 | $100,267 | $18,048 | $ 9,220 | 20,729 |
| President & CEO (Bank) | 1998 | $ 90,247 | $21,600 | $ 9,051 | * |
| | 1997 | $ 83,000 | $14,400 | $ 7,636 | |
| Cary B. Epes | 1999 | $ 99,267 | $17,868 | $ 9,340 | 10,039 |
| EVP/CCO (Bank) | 1998 | $ 89,167 | $21,600 | $ 9,440 | * |
| | 1997 | $ 82,000 | $14,400 | $ 7,708 | |
| Margaret P. Causby | 1999 | $ 97,947 | $17,630 | $ 9,004 | 10,440 |
| EVP/CAO (Bank) | 1998 | $ 88,167 | $21,600 | $ 9,035 | * |
| EVP | 1997 | $ 78,483 | $14,400 | $ 7,372 | |

(1) Salary includes directors' fees as follows: Mr. Shuford - 1999, $3,900, 1998, $4,200, and 1997 $4,500.

(2) Bonus consideration for Mr. Shuford is paid in the year following the year in which the bonus is earned so that the Compensation Committee can evaluate year-end results. Bonus consideration for Mr. Morris, Mr. Epes and Mrs. Causby is paid in the year in which it is earned.

(3) Mr. Shuford has received other compensation as follows:

| | 1999 | 1998 | 1997 |
|---|---|---|---|
| Deferred Profit Sharing | $ 4,532 | $ 5,090 | $ 4,342 |
| Cash Profit Sharing | 4,210 | 4,811 | 4,088 |
| 401(k) Matching Plan | 4,488 | 4,410 | 4,320 |
| Group Term Insurance | 4,326 | 3,454 | 3,342 |
| Total | $17,556 | $17,765 | $16,092 |

Mr. Morris has received other compensation as follows:

| | 1999 | 1998 | 1997 |
|---|---|---|---|
| Deferred Profit Sharing | $ 3,037 | $ 3,122 | $ 2,551 |
| Cash Profit Sharing | 2,821 | 2,951 | 2,356 |
| 401(k) Matching Plan | 3,008 | 2,705 | 2,490 |
| Group Term Insurance | 354 | 273 | 239 |
| Total | $ 9,220 | $ 9,051 | $ 7,636 |

Mr. Epes has received other compensation as follows:

| | 1999 | 1998 | 1997 |
|---|---|---|---|
| Deferred Profit Sharing | $ 3,007 | $ 3,087 | $ 2,520 |
| Cash Profit Sharing | 2,793 | 2,918 | 2,328 |
| 401(k) Matching Plan | 2,978 | 2,675 | 2,460 |
| Group Term Insurance | 562 | 760 | 400 |
| Total | $ 9,340 | $ 9,440 | $ 7,708 |

Mrs. Causby has received other compensation as follows:

| | 1999 | 1998 | 1997 |
|---|---|---|---|
| Deferred Profit Sharing | $ 2,967 | $ 3,053 | $ 2,408 |
| Cash Profit Sharing | 2,756 | 2,885 | 2,224 |
| 401(k) Matching Plan | 2,938 | 2,645 | 2,350 |
| Group Term Insurance | 343 | 452 | 390 |
| Total | $ 9,004 | $ 9,035 | $ 7,372 |

(4) For purposes of this table, benefical ownership has been determined in accordance with the provisions of Rule 13d-3

of the Securities Exchange Act of 1934 under which, in general, a person is deemed to be the beneficial owner of a security if he or she has or shares the power to vote or direct the voting of the security or the power to dispose of or direct the disposition of the security, or if he or she has the right to acquire beneficial ownership of the security within 60 days.

(5) Include shares held (1) by their joint relative or held jointly with their spouses, (2) as custodian or trustee for the benefit of their children or others, (3) as attorney-in- fact subject to a general power of attorney-Mr. Shuford, 75,590 shares.

(6) Include shares that may be acquired within 60 days pursuant to the exercise of stock options granted under the 1989 and 1998 Old Point Stock Option Plans-Mr. Shuford 24,182 shares, Mr. Morris 6,998 shares, Mr. Epes 8,618 shares, Mrs. Causby 8,718 shares.

**Item 12 Security Ownership of certain Beneficial Owners and Management**

Security ownership of certain beneficial owners and management is detailed in Part III, Item 10 of this Annual Report on Form 10-K.

**Item 13. Certain Relationships and Related Transactions**

Some of the Company's directors, executive officers, and members of their immediate families, and corporations, partnerships and other entities of which such persons are officers, directors, partners, trustees, executors or beneficiaries, are customers of the Bank. As of December 31, 1999 borrowing by all policy making officers and directors amounted to $2.0 million. This represented 4.9% of the total equity capital accounts of the Company as of December 31, 1999. All loans and commitments to lend included in such transactions were made in the ordinary course of business, upon substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and did not involve more than normal risk of collectibility or present other unfavorable features. It is the policy of the Bank to provide loans to officers who are not executive officers and to employees at more favorable rates than those prevailing at the time for comparable transactions with other persons. These loans do not involve more than the normal risk of collectibility or present other unfavorable features.

The law firm of Mays & Valentine L.L.P. serves as legal counsel to the Company. Cumming, Hatchett and Jordan, P.C. serves as legal counsel to the Bank and Trust Company. Mr. Eugene M. Jordan was a member of the firm in 1999. During 1999, the firm received a retainer and fees totaling $55,358. Morgan Marrow Insurance of which John B. Morgan, II is President, provided insurance for which the Company paid $47,749 during 1999. Hampton Stationery, of whom John Cabot Ishon is President, provided office furniture and supplies for which the Company paid $101,023. Geddy, Harris, Franck & Hickman L.L.P. of which Stephen D. Harris is a partner, and Warwick Plumbing & Heating Corp. of which G. Royden Goodson, III is President provide products and services to the Company.

## PART IV

**Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8**

**A.1 Financial Statements:**

The following audited financial statements are included in Part II, Item 8, of this Annual Report on Form 10-K.

**Consolidated Balance Sheets - December 31, 1999 and 1998**

Consolidated Statements of Income

Years Ended December 31, 1999, 1998 and 1997

Consolidated Statements of Changes in Stockholders' Equity Years Ended December 31, 1999, 1998 and 1997

Consolidated Statements of Cash Flows Years Ended December 31, 1999, 1998 and 1997

Notes to Financial Statements
Auditor's Report

A.2 Financial Statement Schedules:

| Schedule | Location |
|---|---|
| Average Balance Sheets, Net Interest Income and Rates | Part I, Item 1 |
| Analysis of Change in Net Interest Income | Part I, Item 1 |
| Interest Sensitivity Analysis | Part I, Item 1 |
| Investment Securities | Part I, Item 1 |
| Investment Security Maturities & Yields | Part I, Item 1 |
| Loans | Part I, Item 1 |
| Maturity Schedule of Selected Loans | Part I, Item 1 |
| Nonaccrual, Past Due and Restructured Loans | Part I, Item 1 |
| Analysis of the Allowance for Loan Losses | Part I, Item 1 |
| Allocation of the Allowance for Loan Losses | Part I, Item 1 |
| Deposits | Part I, Item 1 |
| Certificates of Deposit of $100,000 and more | Part I, Item 1 |
| Return on Average Equity | Part I, Item 1 |
| Short Term Borrowings | Part I, Item 1 |
| Lease Commitments | Part I, Item 1 |
| Other Real Estate Owned | Part I, Item 1 |
| Selected Financial Data | Part II, Item 6 |
| Capital Ratios | Part II, Item 7 |
| Dividends Paid and Market Price of Common Stock | Part II, Item 7 |
| Proceeds from sales and maturities of securities | Part II, Item 8 |
| Premises and Equipment | Part II, Item 8 |
| Stock Option Plan | Part II, Item 8 |
| Components of Income Tax Expense | Part II, Item 8 |
| Reconciliation of Expected and Reported Income Tax Expense | Part II, Item 8 |
| Pension Plan | Part II, Item 8 |
| Commitments and Contingencies | Part II, Item 8 |
| Fair Value of Financial Instruments | Part II, Item 8 |
| Directors and Executive Officer | Part III, Item 10 |
| Executive Compensation | Part III, Item 11 |

## A.3 Exhibits:

3 Articles of Incorporation and Bylaws
4 Not Applicable
9 Not Applicable
10 Not Applicable
11 Not Applicable
12 Not Applicable
13 Not Applicable
18 Not Applicable
19 Not Applicable
22 Subsidiaries of the Registrant
23 Not Applicable
24 Consent of Independent Certified Public Accountants
25 Powers of Attorney
27 Financial Data Schedule
28 Not Applicable
29 Not Applicable

**B. Reports on Form 8-K:**

A Current Report, Form 8-K , was filed on November 18, 1999. The Company reported under Item 5 that Frank E. Continetti succeeded W. Rodney Rosser as President & CEO of Old Point Trust & Financial Services, NA. Also reported that Louis G. Morris was promoted to President and CEO of Old Point National Bank effective January 1, 2000.

## INDEX OF EXHIBITS

### Exhibit No.

| | | |
|---|---|---|
| 3 | Articles of Incorporation and Bylaws (incorporated by reference from our Annual Report on Form 10K for the year ended 1998 (File No. 000-12896)) | |
| 4 | Not Applicable | |
| 9 | Not Applicable | |
| 10 | Not Applicable | |
| 11 | Not Applicable | |
| 12 | Not Applicable | |
| 13 | Not Applicable | |
| 18 | Not Applicable | |
| 19 | Not Applicable | |
| 22 | Subsidiaries of the Registrant | 48 |
| 23 | Not Applicable | |
| 24 | Consent of Independent Certified Public Accountants | 49 |
| 25 | Powers of Attorney | 50 |
| 27 | Financial Data Schedule | 61 |
| 28 | Not Applicable | |
| 29 | Not Applicable | |

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on the 28th day of March, 2000.

**OLD POINT FINANCIAL CORPORATION**

*/s/Robert F. Shuford*
*Robert F. Shuford, President*

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in their capacities on the 28th day of March, 2000.

| | |
|---|---|
| */s/Robert F. Shuford*<br>*Robert F. Shuford* | *President and Director*<br>*Principal Executive Officer* |
| */s/Laurie D. Grabow*<br>*Laurie D. Grabow* | *Senior Vice President*<br>*Principal Financial &*<br>*Accounting Officer* |
| */s/Richard F. Clark*<br>*Richard F. Clark* | *Director* |
| */s/Russell S. Evans, Jr.*<br>*Russell S. Evans, Jr.* | *Director* |
| */s/G. Royden Goodson, III*<br>*G. Royden Goodson, III* | *Director* |
| */s/Dr. Arthur D. Greene*<br>*Dr. Arthur D. Greene* | *Director* |
| */s/Stephen D. Harris*<br>*Stephen D. Harris* | *Director* |
| */s/John Cabot Ishon*<br>*John Cabot Ishon* | *Director* |
| */s/Eugene M. Jordan*<br>*Eugene M. Jordan* | *Director* |
| */s/John B. Morgan*<br>*John B. Morgan* | *Director* |
| */s/Dr. H. Robert Schappert*<br>*Dr. H. Robert Schappert* | *Director* |

**EXHIBIT 22. SUBSIDIARIES OF THE REGISTRANT**

The Old Point National Bank of Phoebus, a wholly-owned subsidiary of the Corporation, is a national banking association subject to regulation by the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Federal Reserve System.

Old Point Trust and Financial Services, N.A., a wholly-owned subsidiary of the Corporation, is a national banking association subject to regulation by the Comptroller of the Currency, and the Federal Reserve System.

**EXHIBIT 24. CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

**CONSENT OF INDEPENDENT AUDITORS**

Board of Directors
Old Point Financial Corporation

We consent to the incorporation by reference in this Annual Report on Form 10-K of our report dated January 20, 2000, relating to the consolidated financial statements of Old Point Financial Corporation as of December 31, 1999 and 1998, and for each of the years in the three-year period ended December 31, 1999.

**EGGLESTON SMITH P.C.**

*/s/ EGGLESTON SMITH P.C.*

*Newport News, Virginia*
*March 27, 2000*

**EXHIBIT 25. POWERS OF ATTORNEY**

**Old Point Financial Corporation**

**Power of Attorney**

I, Russell Evans Jr., do hereby constitute and appoint Robert F. Shuford and Eugene M. Jordan, my true and lawful attorney-in-fact, any of whom acting singly is hereby authorized for me and in my name and on my behalf as a director and/or officer of Old Point Financial Corporation (the "Corporation"), to act and to execute any and all instruments as such attorneys or attorney deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934, as amended ("Act"), and any rules, regulations, policies or requirements of the Securities Exchange Commission (the "Commission") in respect thereof in connection with the preparation and filing by the Corporation with the Commission of its Annual Report on Form 10-K for the year ended December 31, 1999 and any and all amendments to such Report, together with such other supplements, statements, instruments and documents as such attorneys or attorney deem necessary or appropriate.

I do hereby ratify and confirm all my said attorneys or attorney shall do or cause to be done by virtue hereof.

WITNESS my execution hereof this 11th day of January, 2000.

*/s/Russell S. Evans, Jr.*

**Old Point Financial Corporation**

**Power of Attorney**

I, Dr. Richard F. Clark, do hereby constitute and appoint Robert F. Shuford and Eugene M. Jordan, my true and lawful attorney-in-fact, any of whom acting singly is hereby authorized for me and in my name and on my behalf as a director and/or officer of Old Point Financial Corporation (the "Corporation"), to act and to execute any and all instruments as such attorneys or attorney deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934, as amended ("Act"), and any rules, regulations, policies or requirements of the Securities Exchange Commission (the "Commission") in respect thereof in connection with the preparation and filing by the Corporation with the Commission of its Annual Report on Form 10-K for the year ended December 31, 1999 and any and all amendments to such Report, together with such other supplements, statements, instruments and documents as such attorneys or attorney deem necessary or appropriate.

I do hereby ratify and confirm all my said attorneys or attorney shall do or cause to be done by virtue hereof.

WITNESS my execution hereof this 11th day of January, 2000.

*/s/ Dr. Richard F. Clark*

**Old Point Financial Corporation**

**Power of Attorney**

I, Stephen D. Harris, do hereby constitute and appoint Robert F. Shuford and Eugene M. Jordan, my true and lawful attorney-in-fact, any of whom acting singly is hereby authorized for me and in my name and on my behalf as a director and/or officer of Old Point Financial Corporation (the "Corporation"), to act and to execute any and all instruments as such attorneys or attorney deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934, as amended ("Act"), and any rules, regulations, policies or requirements of the Securities Exchange Commission (the "Commission") in respect thereof in connection with the preparation and filing by the Corporation with the Commission of its Annual Report on Form 10-K for the year ended December 31, 1999 and any and all amendments to such Report, together with such other supplements, statements, instruments and documents as such attorneys or attorney deem necessary or appropriate.

I do hereby ratify and confirm all my said attorneys or attorney shall do or cause to be done by virtue hereof.

WITNESS my execution hereof this 11th day of January, 2000.

*/s/ Stephen D. Harris*

**Old Point Financial Corporation**

**Power of Attorney**

I, John Cabot Ishon, do hereby constitute and appoint Robert F. Shuford and Eugene M. Jordan, my true and lawful attorney-in-fact, any of whom acting singly is hereby authorized for me and in my name and on my behalf as a director and/or officer of Old Point Financial Corporation (the "Corporation"), to act and to execute any and all instruments as such attorneys or attorney deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934, as amended ("Act"), and any rules, regulations, policies or requirements of the Securities Exchange Commission (the "Commission") in respect thereof in connection with the preparation and filing by the Corporation with the Commission of its Annual Report on Form 10-K for the year ended December 31, 1999 and any and all amendments to such Report, together with such other supplements, statements, instruments and documents as such attorneys or attorney deem necessary or appropriate.

I do hereby ratify and confirm all my said attorneys or attorney shall do or cause to be done by virtue hereof.

WITNESS my execution hereof this 11th day of January, 2000.

*/s/ John Cabot Ishon*

**Old Point Financial Corporation**

**Power of Attorney**

I, Eugene M. Jordan, do hereby constitute and appoint Robert F. Shuford and Eugene M. Jordan, my true and lawful attorney-in-fact, any of whom acting singly is hereby authorized for me and in my name and on my behalf as a director and/or officer of Old Point Financial Corporation (the "Corporation"), to act and to execute any and all instruments as such attorneys or attorney deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934, as amended ("Act"), and any rules, regulations, policies or requirements of the Securities Exchange Commission (the "Commission") in respect thereof in connection with the preparation and filing by the Corporation with the Commission of its Annual Report on Form 10-K for the year ended December 31, 1999 and any and all amendments to such Report, together with such other supplements, statements, instruments and documents as such attorneys or attorney deem necessary or appropriate.

I do hereby ratify and confirm all my said attorneys or attorney shall do or cause to be done by virtue hereof.

WITNESS my execution hereof this 11th day of January, 2000.

*/s/ Eugene M. Jordan*

**Old Point Financial Corporation**

**Power of Attorney**

I, Robert F. Shuford, do hereby constitute and appoint Robert F. Shuford and Eugene M. Jordan, my true and lawful attorney-in-fact, any of whom acting singly is hereby authorized for me and in my name and on my behalf as a director and/or officer of Old Point Financial Corporation (the "Corporation"), to act and to execute any and all instruments as such attorneys or attorney deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934, as amended ("Act"), and any rules, regulations, policies or requirements of the Securities Exchange Commission (the "Commission") in respect thereof in connection with the preparation and filing by the Corporation with the Commission of its Annual Report on Form 10-K for the year ended December 31, 1999 and any and all amendments to such Report, together with such other supplements, statements, instruments and documents as such attorneys or attorney deem necessary or appropriate.

I do hereby ratify and confirm all my said attorneys or attorney shall do or cause to be done by virtue hereof.

WITNESS my execution hereof this 11th day of January, 2000.



*/s/ Robert F. Shuford*

**Old Point Financial Corporation**

**Power of Attorney**

I, Dr. Arthur D. Greene, do hereby constitute and appoint Robert F. Shuford and Eugene M. Jordan, my true and lawful attorney-in-fact, any of whom acting singly is hereby authorized for me and in my name and on my behalf as a director and/or officer of Old Point Financial Corporation (the "Corporation"), to act and to execute any and all instruments as such attorneys or attorney deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934, as amended ("Act"), and any rules, regulations, policies or requirements of the Securities Exchange Commission (the "Commission") in respect thereof in connection with the preparation and filing by the Corporation with the Commission of its Annual Report on Form 10-K for the year ended December 31, 1999 and any and all amendments to such Report, together with such other supplements, statements, instruments and documents as such attorneys or attorney deem necessary or appropriate.

I do hereby ratify and confirm all my said attorneys or attorney shall do or cause to be done by virtue hereof.

WITNESS my execution hereof this 11th day of January, 2000.

*/s/ Dr. Arthur D. Greene*

**Old Point Financial Corporation**

**Power of Attorney**

I, John B. Morgan, II, do hereby constitute and appoint Robert F. Shuford and Eugene M. Jordan, my true and lawful attorney-in-fact, any of whom acting singly is hereby authorized for me and in my name and on my behalf as a director and/or officer of Old Point Financial Corporation (the "Corporation"), to act and to execute any and all instruments as such attorneys or attorney deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934, as amended ("Act"), and any rules, regulations, policies or requirements of the Securities Exchange Commission (the "Commission") in respect thereof in connection with the preparation and filing by the Corporation with the Commission of its Annual Report on Form 10-K for the year ended December 31, 1999 and any and all amendments to such Report, together with such other supplements, statements, instruments and documents as such attorneys or attorney deem necessary or appropriate.

I do hereby ratify and confirm all my said attorneys or attorney shall do or cause to be done by virtue hereof.

WITNESS my execution hereof this 11th day of January, 2000.

*/s/ John B. Morgan, II*

**Old Point Financial Corporation**

**Power of Attorney**

I, G. Royden Goodson, III, do hereby constitute and appoint Robert F. Shuford and Eugene M. Jordan, my true and lawful attorney-in- fact, any of whom acting singly is hereby authorized for me and in my name and on my behalf as a director and/or officer of Old Point Financial Corporation (the "Corporation"), to act and to execute any and all instruments as such attorneys or attorney deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934, as amended ("Act"), and any rules, regulations, policies or requirements of the Securities Exchange Commission (the "Commission") in respect thereof in connection with the preparation and filing by the Corporation with the Commission of its Annual Report on Form 10-K for the year ended December 31, 1999 and any and all amendments to such Report, together with such other supplements, statements, instruments and documents as such attorneys or attorney deem necessary or appropriate.

I do hereby ratify and confirm all my said attorneys or attorney shall do or cause to be done by virtue hereof.

WITNESS my execution hereof this 11th day of January, 2000.

*/s/ G. Royden Goodson, III*

**Old Point Financial Corporation**

**Power of Attorney**

I, Dr. H. Robert Schappert, do hereby constitute and appoint Robert F. Shuford and Eugene M. Jordan, my true and lawful attorney-in- fact, any of whom acting singly is hereby authorized for me and in my name and on my behalf as a director and/or officer of Old Point Financial Corporation (the "Corporation"), to act and to execute any and all instruments as such attorneys or attorney deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934, as amended ("Act"), and any rules, regulations, policies or requirements of the Securities Exchange Commission (the "Commission") in respect thereof in connection with the preparation and filing by the Corporation with the Commission of its Annual Report on Form 10-K for the year ended December 31, 1999 and any and all amendments to such Report, together with such other supplements, statements, instruments and documents as such attorneys or attorney deem necessary or appropriate.

I do hereby ratify and confirm all my said attorneys or attorney shall do or cause to be done by virtue hereof.

WITNESS my execution hereof this 11th day of January, 2000.

*/s/ Dr. H. Robert Schappert*

**Old Point Financial Corporation**

**Power of Attorney**

I, Louis G. Morris, do hereby constitute and appoint Robert F. Shuford and Eugene M. Jordan, my true and lawful attorney-in- fact, any of whom acting singly is hereby authorized for me and in my name and on my behalf as a director and/or officer of Old Point Financial Corporation (the "Corporation"), to act and to execute any and all instruments as such attorneys or attorney deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934, as amended ("Act"), and any rules, regulations, policies or requirements of the Securities Exchange Commission (the "Commission") in respect thereof in connection with the preparation and filing by the Corporation with the Commission of its Annual Report on Form 10-K for the year ended December 31, 1999 and any and all amendments to such Report, together with such other supplements, statements, instruments and documents as such attorneys or attorney deem necessary or appropriate.

I do hereby ratify and confirm all my said attorneys or attorney shall do or cause to be done by virtue hereof.

WITNESS my execution hereof this 11th day of January, 2000.

*/s/ Louis G. Morris*

**ARTICLE 9**

MULTIPLIER: 1000

| | |
|---|---|
| PERIOD TYPE | YEAR |
| FISCAL YEAR END | DEC 31 1999 |
| PERIOD END | DEC 31 1999 |
| CASH | 10,226 |
| INT BEARING DEPOSITS | 174 |
| FED FUNDS SOLD | 241 |
| TRADING ASSETS | 0 |
| INVESTMENTS HELD FOR SALE | 81,146 |
| INVESTMENTS CARRYING | 45,839 |
| INVESTMENTS MARKET | 44,271 |
| LOANS | 281,646 |
| ALLOWANCE | 3,111 |
| TOTAL ASSETS | 436,294 |
| DEPOSITS | 360,918 |
| SHORT TERM | 5,317 |
| LIABILITIES OTHER | 1,404 |
| LONG TERM | 5,000 |
| PREFERRED MANDATORY | 0 |
| PREFERRED | 0 |
| COMMON | 12,916 |
| OTHER SE | 29,860 |
| TOTAL LIABILITIES AND EQUITY | 436,294 |
| INTEREST LOAN | 21,718 |
| INTEREST INVEST | 7,438 |
| INTEREST OTHER | 328 |
| INTEREST TOTAL | 29,484 |
| INTEREST DEPOSIT | 12,549 |
| INTEREST EXPENSE | 13,863 |
| INTEREST INCOME NET | 14,971 |
| LOAN LOSSES | 650 |
| SECURITIES GAINS | (54) |
| EXPENSE OTHER | 14,320 |
| INCOME PRETAX | 6,037 |
| INCOME PRE EXTRAORDINARY | 6,037 |
| EXTRAORDINARY | 0 |
| CHANGES | 0 |
| NET INCOME | 4,822 |
| EPS BASIC | 1.87 |
| EPS DILUTED | 1.86 |
| YIELD ACTUAL | 4.28 |
| LOANS NON | 514 |
| LOANS PAST | 1,351 |
| LOANS TROUBLED | 0 |
| LOANS PROBLEM | 1,965 |
| ALLOWANCE OPEN | 2,855 |
| CHARGE OFFS | 793 |
| RECOVERIES | 399 |
| ALLOWANCE CLOSE | 3,111 |
| ALLOWANCE DOMESTIC | 0 |
| ALLOWANCE FOREIGN | 0 |
| ALLOWANCE UNALLOCATED | 1,634 |