

# OLD POINT FINANCIAL CORP

## FORM 10-K405

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

Filed 3/29/1996 For Period Ending 12/31/1995

|             |  |
|-------------|--|
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| Industry    | Regional Banks                               |
| Sector      | Financial                                    |
| Fiscal Year | 12/31  |

# U. S. SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

## FORM 10-K

(Mark One)

☒ Annual Report Pursuant to Section 13 or 15(d) of the Securities  
Exchange Act of 1934 (fee required)

For the fiscal year ended December 31, 1995

☐ 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 54-1265373  
(State or other jurisdiction of incorporation or  
organization)(I.R.S. Employer Identification No.)

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

(804) 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 ☒ 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. ☒

As of March 14, 1996 there were 1,273,537 shares of common stock outstanding and the aggregate market value of common stock of Old Point Financial Corporation held by nonaffiliates was approximately \$36,465,300 based upon the last traded price per share known to Management.

**DOCUMENTS INCORPORATED BY REFERENCE**  
NONE

**OLD POINT FINANCIAL CORPORATION**

**Form 10-K**

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**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 has no other subsidiaries and does not engage in any activities other than acting as a holding company for the common stock of the Bank. The principal business of the Company is conducted through the Bank, which continues to conduct its business in substantially the same manner and from the same offices as it had done before the effective date of the reorganization. The Bank, therefore, accounts for substantially all of the consolidated assets and revenues of the Company.

The Bank is a national banking association founded in 1922. The Bank has thirteen offices in the cities of Hampton and Newport News, and in James City 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 and trust and estate services.

As of December 31, 1995, the Company had assets of \$304.3 million, loans (net of unearned income) of \$188.1 million, deposits of \$256.5 million, and stockholders' equity of \$30.3 million. At year end, the Company and the Bank had a total of 226 employees, 33 of whom were part-time.

Based on 1990 census figures, the population of the Bank's trade area, which includes Hampton, Newport News, Williamsburg, and James City County was approximately 350,000. This area's economy is heavily influenced by the two largest employers; military installations and shipbuilding and ship repair. These industries are impacted by reductions in defense spending and personnel. Some of our customers are either employed at the various military installations or at the shipyard, or they derive some or all of their business from these two major employers. There are numerous military installations in the area including Fort Monroe, Langley Air Force Base, and Fort Eustis. The consolidation of the Tactical Air Command and the Strategic Air Command into the Air Combat Command at Langley has somewhat mitigated the reduction in military employment in the area. The largest private employer on the Peninsula is the Newport News Shipbuilding and Drydock Company, which currently employs approximately 17,000 people.

The banking industry is highly competitive in the Hampton/Newport News/Williamsburg area. There are approximately nine commercial banks actively engaged in business in the area in which the Bank operates, including seven major statewide banking organizations.

The Bank encounters competition for deposits and loans from banks, savings and loan associations and credit unions in the communities in which it operates. In addition, the Bank must compete for deposits in some instances with the money market mutual funds which are marketed nationally.

The Bank is subject to regulation and examination by the Office of the Comptroller of the Currency, the Federal Reserve Board (the "Board"), 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.

### 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.

TABLE I  
AVERAGE BALANCE SHEETS, NET INTEREST INCOME\* AND RATES\* <F1>

| For the years ended December 31,<br>Dollars in thousands | 1995               |                                |                                     | 1994               |                                |                                     | 1993               |                                |                                     |
|--|--------------------|--------------------------------|-------------------------------------|--------------------|--------------------------------|-------------------------------------|--------------------|--------------------------------|-------------------------------------|
|  | Average<br>Balance | Interest<br>Income/<br>Expense | Average<br>Rates<br>Earned/<br>Paid | Average<br>Balance | Interest<br>Income/<br>Expense | Average<br>Rates<br>Earned/<br>Paid | Average<br>Balance | Interest<br>Income/<br>Expense | Average<br>Rates<br>Earned/<br>Paid |
| <b>ASSETS</b>  |                    |                                |                                     |                    |                                |                                     |                    |                                |                                     |
| Loans (net of unearned income).....                      | 180,638            | 16,221                         | 8.98%                               | 162,963            | 13,917                         | 8.54%                               | 155,551            | 13,679                         | 8.79%                               |
| Investment securities:                                   |                    |                                |                                     |                    |                                |                                     |                    |                                |                                     |
| Taxable.....   | 78,411             | 4,690                          | 5.98%                               | 86,038             | 4,932                          | 5.73%                               | 78,420             | 4,855                          | 6.19%                               |
| Tax-exempt.....  | 8,173              | 759                            | 9.29%                               | 6,315              | 628                            | 9.94%                               | 8,235              | 793                            | 9.63%                               |
| Total investment securities.....                         | 86,584             | 5,449                          | 6.29%                               | 92,353             | 5,560                          | 6.02%                               | 86,655             | 5,648                          | 6.52%                               |
| Federal funds sold.....                                  | 4,666              | 264                            | 5.66%                               | 3,540              | 131                            | 3.70%                               | 7,634              | 229                            | 3.00%                               |
| Total earning assets.....                                | 271,888            | 21,934                         | 8.07%                               | 258,856            | 19,608                         | 7.57%                               | 249,840            | 19,556                         | 7.83%                               |
| Reserve for loan losses.....                             | (2,648)            |                                |                                     | (2,759)            |                                |                                     | (3,298)            |                                |                                     |
|  | 269,240            |                                |                                     | 256,097            |                                |                                     | 246,542            |                                |                                     |
| Cash and due from banks.....                             | 8,433              |                                |                                     | 8,868              |                                |                                     | 8,991              |                                |                                     |
| Bank premises and equipment.....                         | 8,125              |                                |                                     | 8,275              |                                |                                     | 9,672              |                                |                                     |
| Other assets.....  | 5,376              |                                |                                     | 5,158              |                                |                                     | 5,480              |                                |                                     |
| Total assets.....  | \$291,174          |                                |                                     | \$278,398          |                                |                                     | \$270,685          |                                |                                     |
|  | =====              |                                |                                     | =====              |                                |                                     | =====              |                                |                                     |

# LIABILITIES AND STOCKHOLDERS' EQUITY

## Time and savings deposits:

|   |           |          |       |           |          |       |           |          |       |
|---|-----------|----------|-------|-----------|----------|-------|-----------|----------|-------|
| Interest-bearing transaction accounts.....  | 49,335    | \$1,303  | 2.64% | 50,739    | \$1,327  | 2.62% | 43,406    | \$1,217  | 2.80% |
| Money market deposit accounts.....  | 19,375    | 765      | 3.95% | 19,526    | 613      | 3.14% | 19,797    | 568      | 2.87% |
| Passbook savings accounts.....  | 26,595    | 730      | 2.74% | 30,070    | 826      | 2.75% | 29,203    | 926      | 3.17% |
| Certificates of deposit, \$100,000 or more..                                      | 13,789    | 760      | 5.51% | 10,979    | 478      | 4.35% | 10,217    | 458      | 4.48% |
| Other certificates of deposit.....  | 97,431    | 5,290    | 5.43% | 83,512    | 3,850    | 4.61% | 85,029    | 4,127    | 4.85% |
|   | -----     | -----    |       | -----     | -----    |       | -----     | -----    |       |
| Total time and savings deposits.....  | 206,525   | 8,848    | 4.28% | 194,826   | 7,094    | 3.64% | 187,652   | 7,296    | 3.89% |
| Federal funds purchased and securities sold<br>under agreement to repurchase..... | 11,234    | 573      | 5.10% | 14,528    | 503      | 3.46% | 15,396    | 437      | 2.84% |
| Other short term borrowings.....  | 1,996     | 110      | 5.51% | 617       | 28       | 4.54% | 123       | 9        | 7.32% |
|   | -----     | -----    |       | -----     | -----    |       | -----     | -----    |       |
| Total interest bearing liabilities.....   | 219,755   | 9,531    | 4.34% | 209,971   | 7,625    | 3.63% | 203,171   | 7,742    | 3.81% |
| Demand deposits.....  | 40,843    |          |       | 40,004    |          |       | 40,870    |          |       |
| Other liabilities.....  | 1,554     |          |       | 1,729     |          |       | 1,747     |          |       |
|   | -----     |          |       | -----     |          |       | -----     |          |       |
| Total liabilities.....  | 262,152   |          |       | 251,704   |          |       | 245,788   |          |       |
| Stockholders' equity.....   | 29,022    |          |       | 26,694    |          |       | 24,897    |          |       |
|   | -----     |          |       | -----     |          |       | -----     |          |       |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY...<F1>                                 | \$291,174 |          |       | \$278,398 |          |       | \$270,685 |          |       |
|   | =====     |          |       | =====     |          |       | =====     |          |       |
| Net interest income/yield.....  |           | \$12,403 | 4.56% |           | \$11,983 | 4.63% |           | \$11,814 | 4.73% |
|   |           | =====    |       |           | =====    |       |           | =====    |       |
| Total deposits.....   | \$247,368 |          |       | \$234,830 |          |       | \$228,522 |          |       |

\* 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\*<F1>

| Dollars in thousands  | Year 1995 over 1994 |                 |                               | Year 1994 over 1993 |                 |                               | Year 1993 over 1992 |                 |                               |
|---|---------------------|-----------------|-------------------------------|---------------------|-----------------|-------------------------------|---------------------|-----------------|-------------------------------|
|   | Due to change in:   |                 | Net<br>Increase<br>(Decrease) | Due to change in:   |                 | Net<br>Increase<br>(Decrease) | Due to change in:   |                 | Net<br>Increase<br>(Decrease) |
|   | Average<br>Volume   | Average<br>Rate |                               | Average<br>Volume   | Average<br>Rate |                               | Average<br>Volume   | Average<br>Rate |                               |
| INCOME FROM EARNING ASSETS  |                     |                 |                               |                     |                 |                               |                     |                 |                               |
| Loans.....  | \$1,509             | \$795           | \$2,304                       | \$652               | (\$414)         | \$238                         | (\$1,655)           | (\$928)         | (\$2,583)                     |
| Investment securities:  |                     |                 |                               |                     |                 |                               |                     |                 |                               |
| Taxable.....  | (\$437)             | \$195           | (242)                         | \$472               | (\$395)         | 77                            | \$1,214             | (\$410)         | 804                           |
| Tax-exempt.....   | \$185               | (\$54)          | 131                           | (\$185)             | \$20            | (165)                         | (\$201)             | (\$50)          | (251)                         |
|   | -----               | -----           | -----                         | -----               | -----           | -----                         | -----               | -----           | -----                         |
| Total investment securities.....  | (252)               | 141             | (111)                         | 287                 | (375)           | (88)                          | 1,013               | (460)           | 553                           |
| Federal funds sold.....   | \$42                | \$91            | 133                           | (\$123)             | \$25            | (98)                          | \$45                | (\$39)          | 6                             |
|   | -----               | -----           | -----                         | -----               | -----           | -----                         | -----               | -----           | -----                         |
| Total income from earning assets.....   | 1,299               | 1,027           | 2,326                         | 816                 | (764)           | 52                            | (597)               | (1,427)         | (2,024)                       |
| INTEREST EXPENSE  |                     |                 |                               |                     |                 |                               |                     |                 |                               |
| Time and savings deposits:  |                     |                 |                               |                     |                 |                               |                     |                 |                               |
| Interest-bearing transaction accounts....   | (\$37)              | \$13            | (24)                          | \$206               | (\$96)          | 110                           | \$180               | (\$235)         | (55)                          |
| Money market deposit accounts.....  | (\$5)               | \$157           | 152                           | (\$8)               | \$53            | 45                            | (\$9)               | (\$120)         | (129)                         |
| Passbook savings accounts.....  | (\$95)              | (\$1)           | (96)                          | \$27                | (\$127)         | (100)                         | \$274               | (\$146)         | 128                           |
| Certificates of deposit, \$100,000 or more  | \$122               | \$160           | 282                           | \$34                | (\$14)          | 20                            | (\$180)             | (\$106)         | (286)                         |
| Other certificates of deposit.....  | \$642               | \$798           | 1,440                         | (\$74)              | (\$203)         | (277)                         | (\$825)             | (\$1,018)       | (1,843)                       |
|   | -----               | -----           | -----                         | -----               | -----           | -----                         | -----               | -----           | -----                         |
| Total time and savings deposits.....  | 627                 | 1,127           | 1,754                         | 185                 | (387)           | (202)                         | (560)               | (1,625)         | (2,185)                       |
| Federal funds purchased and securities sold<br>under agreement to repurchase..... | (\$114)             | \$184           | 70                            | (\$25)              | \$91            | 66                            | \$35                | (\$100)         | (65)                          |
| Other short term borrowings.....  | \$63                | \$19            | 82                            | \$36                | (\$17)          | 19                            | (\$9)               | \$2             | (7)                           |
|   | -----               | -----           | -----                         | -----               | -----           | -----                         | -----               | -----           | -----                         |
| Total interest bearing liabilities.....   | 576                 | 1,330           | 1,906                         | 196                 | (313)           | (117)                         | (534)               | (1,723)         | (2,257)                       |
| CHANGE IN NET INTEREST INCOME.....  | \$723               | (\$303)         | \$420                         | \$620               | (\$451)         | \$169                         | (\$63)              | \$296           | \$233                         |
|   | -----               | -----           | -----                         | -----               | -----           | -----                         | -----               | -----           | -----                         |

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

## Interest Sensitivity

The following table reflects the earlier of the maturity or repricing data for various assets and liabilities as of December 31, 1995.

TABLE III  
INTEREST SENSITIVITY ANALYSIS  
AS OF DECEMBER 31, 1995  
DOLLARS IN THOUSANDS

| USES OF FUNDS       | MATURITY           |                |              |                 | TOTAL  |
|---------------------|--------------------|----------------|--------------|-----------------|--------|
|                     | WITHIN<br>3 MONTHS | 4-12<br>MONTHS | 1-5<br>YEARS | OVER<br>5 YEARS |        |
| FEDERAL FUNDS SOLD  | 513                | --             | --           | --              | 513    |
| TAXABLE INVESTMENTS | 11,224             | 13,205         | 45,478       | 10,003          | 79,910 |

|  |          |           |         |        |         |
|--|----------|-----------|---------|--------|---------|
| TAX-EXEMPT INVESTMENTS                     | 250      | 201       | 1,467   | 10,795 | 12,713  |
|  | -----    | -----     | -----   | -----  | -----   |
| TOTAL INVESTMENTS                          | 11,987   | 13,406    | 46,945  | 20,798 | 93,136  |
| LOANS:                                     |          |           |         |        |         |
| COMMERCIAL                                 | 29,852   | 3,640     | 18,438  | 904    | 52,834  |
| TAX-EXEMPT                                 | 1,988    | 10        | 140     | 865    | 3,003   |
| INSTALLMENT                                | 65       | 1,361     | 45,314  | 2,513  | 49,253  |
| REAL ESTATE                                | 11,683   | 4,566     | 56,158  | 10,093 | 82,500  |
| OTHER                                      | 465      | --        | --      | --     | 465     |
|  | -----    | -----     | -----   | -----  | -----   |
| TOTAL LOANS                                | 44,053   | 9,577     | 120,050 | 14,375 | 188,055 |
|  | -----    | -----     | -----   | -----  | -----   |
| TOTAL EARNING ASSETS                       | 56,040   | 22,983    | 166,995 | 35,173 | 281,191 |
|  | -----    | -----     | -----   | -----  | -----   |
| SOURCES OF FUNDS                           |          |           |         |        |         |
| INTEREST CHECKING DEPOSITS                 | 50,371   | --        | --      | --     | 50,371  |
| MONEY MARKET DEPOSIT ACCOUNTS              | 19,268   | --        | --      | --     | 19,268  |
| REGULAR SAVINGS ACCOUNTS                   | 26,166   | --        | --      | --     | 26,166  |
| CERTIFICATES OF DEPOSIT, \$100,000 OR MORE | 3,392    | 9,215     | 2,629   | --     | 15,236  |
| OTHER TIME DEPOSITS                        | 20,436   | 51,060    | 31,058  | 38     | 102,592 |
| FEDERAL FUNDS PURCHASED AND SECURITIES     |          |           |         |        |         |
| SOLD UNDER AGREEMENTS TO REPURCHASE        | 14,884   | 852       | --      | --     | 15,736  |
| OTHER BORROWINGS                           | 507      | --        | 53      | --     | 560     |
|  | -----    | -----     | -----   | -----  | -----   |
| TOTAL INTEREST BEARING LIABILITIES         | 135,024  | 61,127    | 33,740  | 38     | 229,929 |
|  | -----    | -----     | -----   | -----  | -----   |
| RATE SENSITIVITY GAP                       | (78,984) | (38,144)  | 133,255 | 35,135 | 51,262  |
|  | -----    | -----     | -----   | -----  | -----   |
| CUMULATIVE GAP                             | (78,984) | (117,128) | 16,127  | 51,262 |         |

The Company was liability sensitive as of December 31, 1995. There were \$80.0 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, 1995.

| Dollars in Thousands               | TABLE IV<br>INVESTMENT SECURITY MATURITIES & YIELDS*<F1> |                              |                 |                              |                        |                              |
|------------------------------------|--|------------------------------|-----------------|------------------------------|------------------------|------------------------------|
|                                    | U.S. Govt/Agency   |                              | State/Municipal |                              | Total<br>Book<br>Value | Weighted<br>Average<br>Yield |
|                                    | Book<br>Value  | Weighted<br>Average<br>Yield | Book<br>Value   | Weighted<br>Average<br>Yield |                        |                              |
| December 31, 1995                  |  |                              |                 |                              |                        |                              |
| Maturities:                        | \$19,155   | 6.02%                        | \$548           | 10.69%                       | \$19,703               | 6.15%                        |
| Within 1 year                      | 45,085   | 5.74%                        | 1,336           | 9.60%                        | 46,421                 | 5.85%                        |
| After 1 year, but within 5 years   | 9,998  | 7.26%                        | 3,828           | 9.04%                        | 13,826                 | 7.75%                        |
| After 5 years, but within 10 years | 0  | 0.00%                        | 6,558           | 8.07%                        | 6,558                  | 8.07%                        |
| After 10 years                     | \$74,238   | 6.02%                        | \$12,270        | 8.66%                        | \$86,508               | 6.39%                        |
| TOTAL                              |  |                              |                 |                              |                        |                              |
| December 31, 1994                  | \$74,384   | 5.74%                        | \$6,736         | 9.57%                        | \$81,120               | 6.06%                        |
| December 31, 1993                  | \$88,900   | 5.85%                        | \$6,738         | 9.86%                        | \$95,638               | 6.13%                        |

<F1>

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

The book value of other marketable equity securities with no stated maturity totalled \$5.31 million, yielding 6.03%; \$5.23 million, yielding 4.41%; and \$3.62 million, yielding 4.23%; at December 31, 1995, 1994, and 1993 respectively. There were no other securities, except Federal Reserve Bank stock, which remained constant for the period at \$84,850, earning a six percent (6%) dividend.

## III. Loan Portfolio

The following table shows a breakdown of total loans by type at December 31 for years 1991 through 1995:

TABLE V  
LOANS

|   |           |           |           |           |           |
|---|-----------|-----------|-----------|-----------|-----------|
| As of December 31,<br>Dollars in thousands                      | 1995      | 1994      | 1993      | 1992      | 1991      |
| Commercial and other  | \$ 20,636 | \$ 17,806 | \$ 16,836 | \$ 17,043 | \$ 20,836 |
| Real Estate Construction  | 4,093     | 1,991     | 2,353     | 2,420     | 6,570     |
| Real Estate Mortgage  | 109,469   | 105,703   | 96,185    | 105,424   | 110,990   |
| Tax Exempt Loans  | 3,003     | 4,754     | 5,585     | 6,987     | 7,717     |
| Installment Loans to<br>Individuals (net of<br>Unearned Income) | 50,854    | 43,487    | 29,322    | 29,640    | 34,069    |
| Total   | \$188,055 | \$173,741 | \$150,282 | \$161,514 | \$180,182 |

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, 1995 is presented below:

TABLE VI  
MATURITY SCHEDULE OF SELECTED LOANS

|   |                     |                           |                    |          |
|---|---------------------|---------------------------|--------------------|----------|
| December 31, 1995<br>Dollars in thousands | One year<br>or less | One through<br>five years | Over five<br>years | Total    |
| Commercial and other                      | \$10,654            | \$ 9,982                  | ---                | \$20,636 |
| Real estate construction                  | 4,077               | 16                        | ---                | 4,093    |
| Total                                     | \$14,731            | \$ 9,998                  | ---                | \$24,729 |
| Loans maturing after one year with:       |                     |                           |                    |          |
| Fixed interest rate                       |                     | \$5,963                   | ---                | \$ 5,963 |
| Variable interest rate                    |                     | \$4,019                   | ---                | \$ 4,019 |

The following table presents information concerning the aggregate amount of nonaccrual, past due and restructured loans as of December 31 for the years 1991 through 1995.

TABLE VII  
NONACCRUAL, PAST DUE AND RESTRUCTURED LOANS

|   |         |         |         |         |        |
|---|---------|---------|---------|---------|--------|
| As of December 31,<br>Dollars in thousands                                      | 1995    | 1994    | 1993    | 1992    | 1991   |
| Nonaccrual loans  | \$2,447 | \$2,955 | \$5,328 | \$4,670 | \$ 128 |
| Accruing loans past due<br>90 days or more                                      | 248     | 837     | 458     | 2,239   | 1,827  |
| Restructured loans  | none    | none    | none    | none    | none   |
| Interest income which would<br>have been recorded under<br>original loans terms | 350     | 470     | 570     | 783     | 88     |
| Interest income recorded<br>during the period                                   | 131     | 188     | 239     | 478     | 1      |

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, 1995 such problem loans, not included in Table VII, amounted to approximately \$3.2 million. The potential problem loans included one relationship 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





|   | Balance   | Rate  | Balance   | Rate  | Balance   | Rate  |
|---|-----------|-------|-----------|-------|-----------|-------|
| Interest bearing transaction accounts         | \$ 49,335 | 2.64% | \$ 50,739 | 2.62% | \$ 43,406 | 2.80% |
| Money market deposit accounts                 | 19,375    | 3.95% | 19,526    | 3.14% | 19,797    | 2.87% |
| Savings accounts                              | 26,595    | 2.74% | 30,070    | 2.75% | 29,203    | 3.17% |
| Certificates of deposit,<br>\$100,000 or more | 13,789    | 5.51% | 10,979    | 4.35% | 10,217    | 4.48% |
| Other certificates of deposit                 | 97,431    | 5.43% | 83,512    | 4.61% | 85,029    | 4.85% |
| Total interest bearing deposits               | 206,525   | 4.28% | 194,826   | 3.64% | 187,652   | 3.89% |
| Non-interest bearing demand deposits          | 40,843    |       | 40,004    |       | 40,870    |       |
| Total deposits                                | \$247,368 |       | \$234,830 |       | \$228,522 |       |

The following table shows certificates of deposit in amounts of \$100,000 or more as of December 31, 1995, 1994, and 1993 by time remaining until maturity.

| (Dollars in thousands) | TABLE XI<br>CERTIFICATES OF DEPOSIT \$100,000 & MORE |          |          |
|------------------------|--|----------|----------|
|                        | 1995   | 1994     | 1993     |
| Maturing in            |  |          |          |
| 3 months or less       | \$3,392  | \$1,941  | \$3,359  |
| 3 through 6 months     | 3,779  | 1,464    | 2,451    |
| 6 through 12 months    | 5,436  | 5,714    | 2,593    |
| over 12 months         | 2,629  | 3,529    | 1,830    |
| Total                  | \$15,236   | \$12,648 | \$10,233 |

## 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.

|                                  | 1995   | 1994   | 1993   |
|----------------------------------|--------|--------|--------|
| Return on average assets         | 0.80%  | 1.00%  | 0.82%  |
| Return on average equity         | 8.07%  | 10.39% | 8.90%  |
| Dividend payout ratio            | 33.17% | 25.03% | 28.17% |
| Average equity to average assets | 9.97%  | 9.59%  | 9.20%  |

## 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 1995, 1994, and 1993 are presented below:

| Dollars in thousands               | TABLE XII<br>SHORT TERM BORROWINGS |       |          |       |          |       |
|------------------------------------|------------------------------------|-------|----------|-------|----------|-------|
|                                    | 1995                               |       | 1994     |       | 1993     |       |
|                                    | Balance                            | Rate  | Balance  | Rate  | Balance  | Rate  |
| Balance at December 31,            |                                    |       |          |       |          |       |
| Federal funds purchased            | \$ 1,400                           | 5.63% | \$ 2,930 | 5.88% | \$ ---   | 3.19% |
| Securities sold under              |                                    |       |          |       |          |       |
| agreements to repurchase           | 14,336                             | 4.33% | 10,764   | 4.54% | 12,845   | 2.74% |
| U.S. treasury demand notes         |                                    |       |          |       |          |       |
| and other borrowed money           | 560                                | 3.25% | 1,162    | 5.42% | 92       | 7.36% |
| Total                              | \$16,296                           |       | \$14,789 |       | \$12,937 |       |
| Average daily balance outstanding: |                                    |       |          |       |          |       |
| Federal funds purchased            | \$ 96                              | 6.03% | \$ 932   | 4.77% | \$ 3     | 2.90% |
| Securities sold under              |                                    |       |          |       |          |       |
| agreements to repurchase           | 11,438                             | 5.01% | 13,596   | 3.37% | 15,395   | 2.84% |
| U.S. treasury demand notes         |                                    |       |          |       |          |       |
| and other borrowed money           | 1,996                              | 5.46% | 617      | 4.55% | 122      | 6.85% |
| Total                              | \$13,530                           | 5.09% | \$15,145 | 3.50% | \$12,589 | 2.87% |
| The maximum amount outstanding     |                                    |       |          |       |          |       |
| at any month end:                  |                                    |       |          |       |          |       |
| Federal funds purchased            | \$ 1,400                           |       | \$ 4,600 |       | \$ ---   |       |
| Securities sold under              |                                    |       |          |       |          |       |
| agreements to repurchase           | \$14,636                           |       | \$18,598 |       | \$20,202 |       |
| U.S. treasury demand notes         |                                    |       |          |       |          |       |
| and other borrowed money           | \$ 4,066                           |       | \$ 4,072 |       | \$ 397   |       |

## Item 2. Description of Property

The Bank owns the Main Office, an office building, and eight branches. 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 two branches are leased from unrelated parties under leases with renewal options which expire anywhere from 10-20 years. The Bank has received approval for a new branch which will be located at Kiln Creek Parkway near Victory Blvd. and is scheduled to open in the summer of 1996. 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, 1995.

## Part II

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

The common stock of Old Point Financial Corporation is not listed on an exchange and is not quoted by NASDAQ. The approximate number of shareholders of record as of December 31, 1995 was 1,364. The range of high and low prices and dividends per share of the Company's common stock for each quarter during 1995 and 1994 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.

| OLD POINT FINANCIAL CORPORATION<br>SELECTED FINANCIAL DATA                          |                         |           |           |           |           |
|---|-------------------------|-----------|-----------|-----------|-----------|
| Dollars in thousands<br>except per share data                                       | YEAR ENDED DECEMBER 31, |           |           |           |           |
|   | 1995                    | 1994      | 1993      | 1992      | 1991      |
| RESULTS OF OPERATIONS   |                         |           |           |           |           |
| Interest income.....  | \$21,534                | \$19,234  | \$19,105  | \$20,988  | \$23,654  |
| Interest expense.....   | 9,531                   | 7,625     | 7,743     | 9,999     | 13,361    |
|   | -----                   | -----     | -----     | -----     | -----     |
| Net interest income.....  | 12,003                  | 11,609    | 11,362    | 10,989    | 10,293    |
| Provision for loan loss.....  | 825                     | 25        | 250       | 2,300     | 3,200     |
|   | -----                   | -----     | -----     | -----     | -----     |
| Net interest income after provision for<br>Gains on sales of investment securities. | 11,178                  | 11,584    | 11,112    | 8,689     | 7,093     |
|   | 9                       | 407       | 19        | 463       | 480       |
| Noninterest income.....   | 3,836                   | 3,755     | 4,003     | 3,589     | 3,325     |
| Noninterest expenses.....   | 11,884                  | 11,837    | 12,252    | 10,627    | 9,157     |
|   | -----                   | -----     | -----     | -----     | -----     |
| Income before taxes.....  | 3,139                   | 3,909     | 2,882     | 2,114     | 1,741     |
| Applicable income taxes .....   | 797                     | 1,136     | 667       | 376       | 279       |
|   | -----                   | -----     | -----     | -----     | -----     |
| Net income.....   | \$2,342                 | \$2,773   | \$2,215   | \$1,738   | \$1,462   |
| FINANCIAL CONDITION   |                         |           |           |           |           |
| Total assets.....   | \$304,266               | \$277,680 | \$273,884 | \$268,721 | \$266,032 |
| Total deposits.....   | 256,535                 | 235,599   | 234,171   | 231,509   | 227,139   |
| Total loans.....  | 188,055                 | 173,741   | 150,282   | 161,514   | 180,182   |
| Stockholders' equity.....   | 30,328                  | 26,222    | 25,836    | 24,193    | 22,932    |
| Average assets.....   | 291,174                 | 278,398   | 270,685   | 268,917   | 258,662   |
| Average equity.....   | 29,022                  | 26,694    | 24,897    | 23,856    | 22,996    |
| PERTINENT RATIOS  |                         |           |           |           |           |
| Return on average assets.....   | 0.80%                   | 1.00%     | 0.82%     | 0.65%     | 0.57%     |
| Return on average equity.....   | 8.07%                   | 10.39%    | 8.90%     | 7.29%     | 6.36%     |
| Dividends paid as a percent of net income   | 33.17%                  | 25.03%    | 28.17%    | 28.40%    | 33.74%    |
| Average equity as a percent of average a  | 9.97%                   | 9.59%     | 9.20%     | 8.87%     | 8.89%     |

#### PER SHARE DATA

|                              |        |        |        |        |        |
|------------------------------|--------|--------|--------|--------|--------|
| Net income.....              | \$1.84 | \$2.20 | \$1.77 | \$1.41 | \$1.19 |
| Cash dividends declared..... | 0.61   | 0.55   | 0.50   | 0.40   | 0.40   |
| Book value.....              | 23.81  | 20.75  | 20.60  | 19.47  | 18.59  |

#### GROWTH RATES

|                              |         |        |        |         |         |
|------------------------------|---------|--------|--------|---------|---------|
| Year end assets.....         | 9.57%   | 3.33%  | 1.92%  | 1.01%   | 7.36%   |
| Year end deposits.....       | 8.89%   | 1.77%  | 1.15%  | 1.92%   | 10.08%  |
| Year end loans.....          | 8.24%   | 7.57%  | -6.95% | -10.36% | -4.05%  |
| Year end equity.....         | 15.66%  | 8.39%  | 6.79%  | 5.50%   | 4.45%   |
| Average assets.....          | 4.59%   | 3.53%  | 0.66%  | 3.96%   | 9.00%   |
| Average equity.....          | 8.72%   | 11.90% | 4.36%  | 3.74%   | 9.89%   |
| Net income.....              | -15.54% | 59.55% | 27.45% | 18.88%  | -39.56% |
| Cash dividends declared..... | 10.91%  | 37.50% | 25.00% | 0.00%   | 0.00%   |
| Book value.....              | 14.78%  | 6.54%  | 5.78%  | 4.73%   | 4.41%   |

### 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 \$2.34 million, or \$1.84 per share in 1995 compared to \$2.77 million, or \$2.20 per share in 1994 and \$2.22 million, or \$1.77 per share in 1993. Return on average assets was 0.80% in 1995, 1.00% in 1994, and 0.82% in 1993. Return on average equity was 8.07% in 1995, 10.39% in 1994 and 8.90% in 1993. For the past five years return on average assets has averaged 0.77% and return on average equity has averaged 8.20%. 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 \$12.40 million in 1995, up \$420 thousand, or 4% from \$11.98 million in 1994 which was up \$169 thousand, or 1% from \$11.81 million in 1993. 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 4.56% in 1995 from 4.63% in 1994 which was down from 4.73% in 1993.

Tax equivalent interest income for 1995 increased \$2.33 million. Average earning assets grew \$13.03 million, or 5%. In 1995, total average loans increased \$17.68 million, or 11%, while average investment securities decreased \$5.77 million, or 6%.

Interest expense increased \$1.91 million, or 25%, in 1995. Based on average balances, the mix of interest bearing liabilities shifted in 1995 from lower paying savings and interest checking accounts to higher paying certificates of deposit. This shift to higher cost funds caused the decline of seven basis points in the net interest yield.

#### 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 increased to \$825 thousand in 1995 from \$25 thousand in 1994 which was down from \$250 thousand in 1993.

Loans charged off during 1995 totalled \$1.72 million compared to \$611 thousand in 1994 and \$1.59 million in 1993, while recoveries amounted to \$499 thousand in 1995, \$541 thousand in 1994 and \$310 thousand in 1993. Net loans charged off to year-end loans were 0.65% in 1995, 0.04% in 1994, and 0.85% in 1993. The allowance for loan losses, as a percentage of year-end loans, was 1.20% in 1995, 1.52% in 1994, and 1.79% in 1993.

As of December 31, 1995 nonperforming assets were \$3.40 million, up from \$3.17 million at year-end 1994 which was down from \$6.19 million at year-end 1993. Nonperforming assets consist of loans in nonaccrual status and other real estate. The 1995 total consisted of other real estate of \$954 thousand and \$2.45 million in nonaccrual loans. The other real estate consisted of \$530 thousand in foreclosed commercial property, \$354 thousand in a commercial property originally acquired as a potential branch site and now held for sale, and \$70 thousand in foreclosed one-to-four family residences. Nonaccrual loans consisted of \$1.07 million in commercial loans and \$1.38 million in mortgage loans. The Company has aggressively dealt with these credits and specific action plans have been developed for each of these classified loans to address any deficiencies. Loans still accruing interest but past due 90 days or more decreased to \$248 thousand as of December 31, 1995 compared to \$837 thousand as of December 31, 1994 and \$458 thousand as of December 31, 1993.

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 decreased \$317 thousand, or 8% in 1995 from 1994 compared to an increase of \$140 thousand, or 3% in 1994 over 1993. The 1995 decrease was due primarily to lower security gains. The 1994 security gains of \$407 thousand were the result of the sale of investment securities as an asset/liability strategy to reduce the interest rate risk in the portfolio.

## OTHER EXPENSES

Other expenses remained almost constant in 1995 from 1994 after decreasing \$415 thousand, or 3%, in 1994 from 1993. Salaries and employee benefits increased 2% in 1995 due to normal salary increases and increased profit sharing contributions. Equipment expense decreased 14% due to lower depreciation expense. Other operating expenses increased 2%. Lower FDIC insurance premiums were offset by higher postage and stationery and supplies expenses.

## ASSETS

At December 31, 1995, the Company had total assets of \$304.3 million, up 10% from \$277.7 million at December 31, 1994. Average assets in 1995 were \$291.2 million compared to \$278.4 million in 1994. The growth in assets in 1995 was due to the increase in certificates of deposit as customers took advantage of higher interest rates.

During 1995 the Company began the conversion of its main frame computer system. The new system consists of a new main frame computer, a new proof of deposit reader/sorter, a new personal computer based teller system, and the computer application software. The total cost of these capital expenditures will be approximately \$1.3 million. This conversion is scheduled for completion in the first quarter of 1996. The Company has begun construction of a new branch office in the Kiln Creek area of York County. The total cost of this branch will be approximately \$850 thousand. The Kiln Creek branch is scheduled to open in the summer of 1996.

## LOANS

The Company experienced strong loan demand in 1995. Total loans (net of unearned income) as of December 31, 1995 were \$188.1 million, up 8% from \$173.7 million at December 31, 1994. All categories of loans increased during 1995 except tax exempt loans. Footnote 3 of the financial statements details the loan volume by category for the past two years.

## INVESTMENT SECURITIES

At December 31, 1995 total investment securities were \$92.6 million, up 11% from \$83.5 million on December 31, 1994. The increase in the investment portfolio was due to the growth in deposits exceeding the growth in loans. 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, 1995, total deposits amounted to \$256.5 million, up 9% from \$235.6 million on December 31, 1994. Non-interest bearing deposits increased \$5.8 million, or 16%, in 1995 over 1994. Savings deposits decreased \$1.2 million, or 1%, in 1995 from 1994. Certificates of Deposit increased \$16.3 million, or 16% in 1995 over 1994. Due to the increase in interest rates, customers are now investing in certificates of deposits.

## STOCKHOLDERS' EQUITY

Total stockholders' equity as of December 31, 1995 was \$30.3 million, up 16% from \$26.2 million on December 31, 1994. 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 stockholder's 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 1995, 1994 and 1993.

|                 | 1995<br>Regulatory<br>Requirements | 1995   | 1994   | 1993   |
|-----------------|------------------------------------|--------|--------|--------|
| Tier 1          | 4.00%                              | 15.47% | 16.32% | 17.16% |
| Total Capital   | 8.00%                              | 16.47% | 17.57% | 18.42% |
| Tier 1 Leverage | 3.00%                              | 9.80%  | 10.00% | 9.32%  |

Year-end book value was \$23.81 in 1995 and \$20.75 in 1994. Cash dividends were \$777 thousand, or \$.61 per share in 1995 and \$694 thousand, or \$.55 per share in 1994. The common stock of the Company has not been extensively traded. The stock is not listed on an exchange and is not quoted by NASDAQ. Bid and ask prices are not available for the Company. The volume of trading of the stock is therefore limited. The prices below are based upon a limited number of transactions known to Management during the past two years. There were 1,410 stockholders of the Company as of December 31, 1995. 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 1995 and 1994.

| 1995     |                      |     | 1994     |                      |     |
|----------|----------------------|-----|----------|----------------------|-----|
| Dividend | Market Value<br>High | Low | Dividend | Market Value<br>High | Low |

|             |         |          |          |          |          |          |
|-------------|---------|----------|----------|----------|----------|----------|
| 1st Quarter | \$ 0.15 | \$ 37.50 | \$ 37.00 | \$ 0.125 | \$ 35.00 | \$ 35.00 |
| 2nd Quarter | \$ 0.15 | \$ 37.50 | \$ 37.50 | \$ 0.125 | \$ 37.50 | \$ 35.00 |
| 3rd Quarter | \$ 0.15 | \$ 37.50 | \$ 37.50 | \$ 0.15  | \$ 37.50 | \$ 35.00 |
| 4th Quarter | \$ 0.16 | \$ 37.50 | \$ 37.50 | \$ 0.15  | \$ 37.00 | \$ 36.00 |

## 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.

## Item 8. Financial Statements and Supplementary Data

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

Independent Auditors' Report  
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, 1995 and 1994, 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, 1995. 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, 1995 and 1994, and the consolidated results of their operations and cash flows for each of the years in the three-year period ended December 31, 1995, in conformity with generally accepted accounting principles.

January 12, 1996  
Newport News, Virginia

| CONSOLIDATED BALANCE SHEETS       |            |            |
|-----------------------------------|------------|------------|
| December 31, 1995 and 1994        |            |            |
| (Dollars in Thousands)            |            |            |
|                                   | 1995       | 1994       |
| ASSETS                            |            |            |
| Cash and due from banks           | \$ 10,932  | \$ 8,941   |
| Investments:                      |            |            |
| Securities available for sale,    |            |            |
| at market                         | 77,604     | 82,599     |
| Securities to be held to maturity |            |            |
| (Market value \$15,087,           |            |            |
| and \$918 in 1994)                | 15,020     | 919        |
| Federal funds sold                | 513        | 247        |
| Loans, total                      | 188,055    | 173,741    |
| Less - allowance for loan losses  | 2,251      | 2,647      |
| Net loans                         | 185,804    | 171,094    |
| Premises and equipment            | 8,302      | 7,433      |
| Other real estate owned           | 954        | 214        |
| Other assets                      | 5,137      | 6,233      |
| Total assets                      | \$ 304,266 | \$ 277,680 |

|   |                |                |
|---|----------------|----------------|
| LIABILITIES   |                |                |
| Non interest-bearing deposits   | \$ 42,902      | \$ 37,086      |
| Savings deposits  | 95,805         | 96,986         |
| Certificates of deposit   | 117,828        | 101,527        |
| Total deposits  | 256,535        | 235,599        |
| Federal funds purchased and securities sold under repurchase agreements                                     | 15,736         | 13,694         |
| Interest bearing demand notes issued to the United States Treasury and other liabilities for borrowed money | 560            | 1,162          |
| Other liabilities   | 1,107          | 1,003          |
| Total liabilities   | 273,938        | 251,458        |
| STOCKHOLDERS' EQUITY  |                |                |
| Common stock, \$5 par value, 3,000,000 shares authorized  |                |                |
| Issued 1,273,537 in 1995 and 1,263,903 in 1994  | 6,368          | 6,320          |
| Capital surplus   | 9,345          | 9,032          |
| Retained earnings   | 14,085         | 12,793         |
| Unrealized gain (loss) on securities  | 530            | (1,923)        |
| Total stockholders' equity  | 30,328         | 26,222         |
| <br>Total liabilities and stockholders' equity  | <br>\$ 304,266 | <br>\$ 277,680 |

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME  
Years Ended December 31, 1995, 1994 and 1993  
(Dollars in thousands except per share amounts)

|  | 1995      | 1994      | 1993      |
|--|-----------|-----------|-----------|
| INTEREST INCOME  |           |           |           |
| Interest and fees on loans   | \$ 16,079 | \$ 13,757 | \$ 13,497 |
| Interest on investment securities  |           |           |           |
| Taxable  | 4,690     | 4,932     | 4,840     |
| Exempt from income tax   | 501       | 414       | 523       |
|  | 5,191     | 5,346     | 5,363     |
| Interest on trading account securities   | ---       | ---       | 16        |
| Interest on federal funds sold   | 264       | 131       | 229       |
| Total interest income  | 21,534    | 19,234    | 19,105    |
| INTEREST EXPENSE   |           |           |           |
| Interest on savings deposits   | 2,797     | 2,766     | 2,710     |
| Interest on certificates of deposit  | 6,051     | 4,328     | 4,587     |
| Interest on federal funds purchased and securities sold under repurchase agreements                    | 573       | 503       | 437       |
| Interest on demand notes issued to the United States Treasury and other liabilities for borrowed money | 110       | 28        | 9         |
| Total interest expense   | 9,531     | 7,625     | 7,743     |
| Net interest income  | 12,003    | 11,609    | 11,362    |
| Provision for loan losses  | 825       | 25        | 250       |
| Net interest income after provision for loan losses  | 11,178    | 11,584    | 11,112    |
| OTHER INCOME   |           |           |           |
| Income from fiduciary activities   | 1,441     | 1,463     | 1,336     |
| Service charges on deposit accounts  | 1,893     | 1,780     | 1,777     |
| Other service charges, commissions and fees  | 280       | 290       | 651       |
| Security gains, net  | 9         | 407       | 19        |
| Income from trading account  | ---       | ---       | 62        |
| Other operating income   | 222       | 222       | 177       |
| Total other income   | 3,845     | 4,162     | 4,022     |
| OTHER EXPENSE  |           |           |           |
| Salaries and employee benefits   | 7,178     | 7,050     | 6,807     |
| Occupancy expense  | 714       | 700       | 748       |
| Equipment expense  | 959       | 1,116     | 1,199     |
| Other expense  | 3,033     | 2,971     | 3,498     |
| Total other expenses   | 11,884    | 11,837    | 12,252    |
| Income before income taxes   | 3,139     | 3,909     | 2,882     |
| Income taxes   | 797       | 1,136     | 667       |
| Net income   | \$ 2,342  | \$ 2,773  | \$ 2,215  |
| PER SHARE  |           |           |           |
| Average shares outstanding (in thousands)  | 1,272     | 1,260     | 1,248     |
| Net income per share of common stock   | \$ 1.84   | \$ 2.20   | \$ 1.77   |

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS  
Years Ended December 31, 1995, 1994 and 1993

|  | 1995      | 1994       | 1993     |
|--|-----------|------------|----------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |           |            |          |
| Net income.....  | \$ 2,342  | \$ 2,773   | \$ 2,215 |
| Adjustments to reconcile net income to net cash provided by operating activities:  |           |            |          |
| Depreciation and amortization.....   | 768       | 884        | 919      |
| Provision for loan losses.....   | 825       | 25         | 250      |
| Market write-downs on other real estate owned.....                                 | 0         | 0          | 65       |
| Gains on sale of investment securities, net.....                                   | (9)       | (407)      | (19)     |
| Net amortization & accretion of securities available for                           | 1,078     | 1,340      | 759      |
| Net (increase) decrease in trading account.....                                    | 0         | 0          | 0        |
| Increase in other real estate owned.....   | (553)     | (13)       | (767)    |
| (Increase) decrease in other assets  |           |            |          |
| (net of tax effect of FASB 115 adjustment).....                                    | (168)     | (262)      | (362)    |
| Increase (decrease) in other liabilities.....                                      | 104       | 63         | (181)    |
| Net cash provided by operating activities.....                                     | 4,387     | 4,403      | 2,879    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |           |            |          |
| Purchases of securities .....  | (31,772)  | (8,902)    | (37,364) |
| Proceeds from maturities & calls of securities .....                               | 25,315    | 11,928     | 14,377   |
| Proceeds from sales of securities .....  | 0         | 8,982      | 125      |
| Loans made to customers.....   | (104,681) | (120,330)  | (97,917) |
| Principal payments received on loans.....  | 89,145    | 96,801     | 107,872  |
| Purchases of premises and equipment.....   | (1,991)   | (178)      | (1,077)  |
| Proceeds from sales of other real estate owned.....                                | 167       | 664        | 3,431    |
| (Increase) decrease in federal funds sold.....                                     | (266)     | 4,553      | 2,520    |
| Net cash provided by (used in) investing activities...                             | (24,083)  | (6,482)    | (8,033)  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |           |            |          |
| Increase (decrease) in non-interest bearing deposits....                           | 5,816     | (2,494)    | (3,814)  |
| Increase (decrease) in savings deposits.....                                       | (1,181)   | (5,009)    | 13,620   |
| Proceeds from the sale of certificates of deposit.....                             | 66,693    | 67,378     | 37,379   |
| Payments for maturing certificates of deposit.....                                 | (50,392)  | (58,447)   | (44,522) |
| Increase (decrease) in federal funds purchased & repurchase agreements.....        | 2,042     | 849        | 1,062    |
| Increase (decrease) in interest bearing demand notes and other borrowed money..... | (602)     | 1,070      | (23)     |
| Proceeds from issuance of common stock.....  | 88        | 200        | 70       |
| Dividends paid.....  | (777)     | (693)      | (624)    |
| Net cash provided by financing activities.....                                     | 21,687    | 2,854      | 3,148    |
| Net increase (decrease) in cash and due from banks....                             | 1,991     | 775        | (2,006)  |
| Cash and due from banks at beginning of period.....                                | 8,941     | 8,166      | 10,172   |
| Cash and due from banks at end of period.....                                      | \$ 10,932 | \$ 8,941   | \$ 8,166 |
| <b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>                           |           |            |          |
| Cash payments for:   |           |            |          |
| Interest.....  | \$ 9,286  | \$ 7,561   | \$ 7,859 |
| Income taxes.....  | 830       | 980        | 375      |
| <b>SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING TRANSACTIONS</b>                     |           |            |          |
| Unrealized gain (loss) on investment securities, net of tax.....                   | \$ 2,453  | \$ (1,894) | \$ (18)  |
| Transfer of property from premises and equipment to other real estate owned.....   | \$ 354    | \$ --      | \$ --    |

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
Years Ended December 31, 1995, 1994 and 1993  
(Dollars in Thousands)

|   | Common<br>Stock<br>(Par Value) | Capital<br>Surplus | Retained<br>Earnings | Unrealized<br>Gain (Loss) on<br>Investment<br>Securities | Total<br>Stockholders'<br>Equity |
|---|--------------------------------|--------------------|----------------------|--|----------------------------------|
| <b>YEAR ENDED DECEMBER 31, 1993</b>     |                                |                    |                      |  |                                  |
| Balance,                                |                                |                    |                      |  |                                  |
| beginning of year                       | \$ 3,106                       | \$ 5,396           | \$ 15,703            | \$ (12)  | \$ 24,193                        |
| Net income                              | ---                            | ---                | 2,215                | ---  | 2,215                            |
| Sale of stock                           | 50                             | 227                | (207)                | ---  | 70                               |
| Stock dividend declared on common stock | 3,115                          | 3,115              | (6,230)              | ---  | ---                              |
| Increase in unrealized gain (loss) on   |                                |                    |                      |  |                                  |

|  |          |          |           |            |           |
|--|----------|----------|-----------|------------|-----------|
| marketable equity securities                                       | ---      | ---      | ---       | (17)       | (17)      |
| Cash dividends paid (\$0.50 per share)                             | ---      | ---      | (625)     | ---        | (625)     |
| Balance, end of year   | \$ 6,271 | \$ 8,738 | \$ 10,856 | \$ (29)    | \$ 25,836 |
| YEAR ENDED DECEMBER 31, 1994                                       |          |          |           |            |           |
| Balance, beginning of year   | \$ 6,271 | \$ 8,738 | \$ 10,856 | \$ (29)    | \$ 25,836 |
| Net income   | ---      | ---      | 2,773     | ---        | 2,773     |
| Sale of stock  | 49       | 294      | (142)     | ---        | 201       |
| Increase in unrealized gain (loss) on marketable equity securities | ---      | ---      | ---       | (1,894)    | (1,894)   |
| Cash dividends paid (\$0.55 per share)                             | ---      | ---      | (694)     | ---        | (694)     |
| Balance, end of year   | \$ 6,320 | \$ 9,032 | \$ 12,793 | \$ (1,923) | \$ 26,222 |
| YEAR ENDED DECEMBER 31, 1995                                       |          |          |           |            |           |
| Balance, beginning of year   | \$ 6,320 | \$ 9,032 | \$ 12,793 | \$ (1,923) | \$ 26,222 |
| Net income   | ---      | ---      | 2,342     | ---        | 2,342     |
| Sale of stock  | 48       | 313      | (273)     | ---        | 88        |
| Increase in unrealized gain (loss) on investment securities        | ---      | ---      | ---       | 2,453      | 2,453     |
| Cash dividends paid (\$0.61 per share)                             | ---      | ---      | (777)     | ---        | (777)     |
| Balance, end of year   | \$ 6,368 | \$ 9,345 | \$ 14,085 | \$ 530     | \$ 30,328 |

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 subsidiary 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 subsidiary The Old Point National Bank of Phoebus ("the Bank"). All significant intercompany balances and transactions have been eliminated in consolidation.

#### NATURE OF BUSINESS:

Old Point Financial Corporation is a one-bank holding company that conducts substantially all of its operations through its subsidiary The Old Point National Bank of Phoebus. The Bank services individual and commercial customers, the majority of which are on the Virginia Peninsula. The Bank has twelve 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.

#### 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 Bank 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 excluded from earnings and reported as a separate component of equity until realized. 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 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 ORIGATION 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 and improvements are capitalized.

#### **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 Bank 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 Bank'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 the Trust Department are not included in the financial statements, since such items are not assets of the Bank. 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.

#### **STOCK SPLIT:**

During 1993 the Board of Directors authorized a two for one stock split effected in the form of a 100 percent stock dividend. All earnings per share amounts and share amounts included in the financial statements have been adjusted for the stock split. An amount equal to the \$5 par value of the additional common shares has been transferred from retained earnings to common stock. In addition, a transfer has been made from retained earnings to capital surplus for an equal amount.

## 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, 1995, 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, 1995 and 1994, were:

|  | Amortized<br>Cost | Unrealized<br>Gains<br>(Dollars in Thousands) | Unrealized<br>Losses<br>(Dollars in Thousands) | Market<br>Value |
|--|-------------------|---|--|-----------------|
| Obligations of other United States Government Agencies as of December 31, 1995 | \$ 15,020         | \$ 67   | \$ ---   | \$ 15,087       |
| Obligations of State and political subdivisions as of December 31, 1994        | \$ 919            | \$ 5  | \$ (6)   | \$ 918          |

The amortized cost and fair values of investment securities available for sale at December 31, 1995 were:

|  | Amortized<br>Cost | December 31, 1995<br>Unrealized<br>Gains<br>(Dollars in Thousands) | Unrealized<br>Losses<br>(Dollars in Thousands) | Market<br>Value |
|--|-------------------|--|--|-----------------|
| United States Treasury securities                              | \$ 53,220         | \$ 613   | \$ (178)                                       | \$ 53,655       |
| Obligations of other United States Government agencies         | 5,998             | 46   | ---  | 6,044           |
| Obligations of state and political subdivisions                | 12,270            | 446  | (3)  | 12,713          |
| Other marketable equity securities, at lower of cost or market | 4,400             | ---  | (121)  | 4,279           |
| Federal Reserve Bank stock                                     | 85                | ---  | ---  | 85              |
| Federal Home Loan Bank stock                                   | 828               | ---  | ---  | 828             |
| Total  | \$ 76,801         | \$ 1,105   | \$ (302)                                       | \$ 77,604       |

The amortized cost and fair value of investment securities available for sale at December 31, 1994 were:

|  | Amortized<br>Cost | December 31, 1994<br>Unrealized<br>Gains<br>(Dollars in Thousands) | Unrealized<br>Losses<br>(Dollars in Thousands) | Market<br>Value |
|--|-------------------|--|--|-----------------|
| United States Treasury securities                              | \$ 69,385         | \$ 18  | \$ (2,751)                                     | \$ 66,652       |
| Obligations of other United States Government agencies         | 4,999             | 17   | (140)  | 4,876           |
| Obligations of state and political subdivisions                | 5,817             | 170  | (5)  | 5,982           |
| Other marketable equity securities, at lower of cost or market | 4,400             | ---  | (223)  | 4,177           |
| Federal Reserve Bank stock                                     | 85                | ---  | ---  | 85              |

|                              |           |        |            |           |
|------------------------------|-----------|--------|------------|-----------|
| Federal Home Loan Bank stock | 827       | ---    | ---        | 827       |
| Total                        | \$ 85,513 | \$ 205 | \$ (3,119) | \$ 82,599 |

Investment securities carried at \$33.4 million and \$29.1 million, at December 31, 1995 and 1994, 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, 1995 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, 1995                       |   |                                       |                 |
|---|---|---|---------------------------------------|-----------------|
|   | Available-For Sale<br>Amortized<br>Cost | Sale<br>Market<br>Value<br>(Dollars in Thousands) | Held-To-Maturity<br>Amortized<br>Cost | Market<br>Value |
| Due in one year or less                     | \$ 19,703                               | \$ 19,788   | \$ ---                                | \$ ---          |
| Due after one year through five years       | 38,401                                  | 38,826  | 8,020                                 | 8,048           |
| Due after five years through<br>ten years   | 6,826                                   | 7,055   | 7,000                                 | 7,039           |
| Due after ten years                         | 6,558                                   | 6,742   | ---                                   | ---             |
| Total debt securities                       | 71,488                                  | 72,411  | 15,020                                | 15,087          |
| Other securities without<br>stated maturity | 5,313                                   | 5,193   | ---                                   | ---             |
| Total investment securities                 | \$ 76,801                               | \$ 77,604   | \$ 15,020                             | \$ 15,087       |

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

|  | 1995                   | 1994      | 1993      |
|--|------------------------|-----------|-----------|
|  | (Dollars in Thousands) |           |           |
| Proceeds from sales and<br>maturities of investments | \$ 25,315              | \$ 20,910 | \$ 14,502 |
| Realized gains                                       | \$ 9                   | \$ 411    | \$ 19     |
| Realized losses                                      | ---                    | (4)       | ---       |
| Net gains  | \$ 9                   | \$ 407    | \$ 19     |

### NOTE 3. LOANS

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

|                                     | 1995                   | 1994       |
|-------------------------------------|------------------------|------------|
|                                     | (Dollars in Thousands) |            |
| Commercial and other                | \$ 20,636              | \$ 17,806  |
| Real estate - construction          | 4,093                  | 1,991      |
| Real estate - mortgage              | 109,469                | 105,703    |
| Installment loans to<br>individuals | 50,854                 | 43,487     |
| Tax exempt loans                    | 3,003                  | 4,754      |
| Total                               | \$ 188,055             | \$ 173,741 |

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

|  | 1995                   | 1994     |
|--|------------------------|----------|
|  | (Dollars In Thousands) |          |
| Contractually past due<br>loans - past due 90 days<br>or more and still<br>accruing interest | \$ 248                 | \$ 837   |
| Loans which are in non-<br>accrual status  | \$ 2,447               | \$ 2,955 |

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 \$1.2 million and \$1.5 million at December 31, 1995 and 1994, 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, 1995.

#### NOTE 4. ALLOWANCE FOR LOAN LOSSES

Changes in the allowance for loan losses are as follows:

|                            | 1995                   | 1994     | 1993     |
|----------------------------|------------------------|----------|----------|
|                            | (Dollars in Thousands) |          |          |
| Balance, beginning of year | \$ 2,647               | \$ 2,692 | \$ 3,719 |
| Recoveries                 | 499                    | 541      | 310      |
| Provision for loan losses  | 825                    | 25       | 250      |
| Loans charged off          | (1,720)                | (611)    | (1,587)  |
| Balance, end of year       | \$ 2,251               | \$ 2,647 | \$ 2,692 |

#### NOTE 5. PREMISES AND EQUIPMENT

At December 31, premises and equipment consisted of:

|  | 1995                   |        | 1994     |
|--|------------------------|--------|----------|
|  | (Dollars in Thousands) |        |          |
| Land   | \$                     | 1,514  | \$ 1,995 |
| Buildings                                      |                        | 6,748  | 5,727    |
| Leasehold improvements                         |                        | 855    | 885      |
| Furniture, fixtures and equipment              |                        | 7,869  | 6,767    |
| Total cost                                     |                        | 16,986 | 15,374   |
| Less accumulated depreciation and amortization |                        | 8,684  | 7,941    |
| Net book value                                 | \$                     | 8,302  | \$ 7,433 |

#### NOTE 6. OTHER REAL ESTATE OWNED

Other real estate owned consisted of the following at December 31:

|                        | 1995 |                        | 1994   |
|------------------------|------|------------------------|--------|
|                        |      | (Dollars in Thousands) |        |
| Foreclosed real estate | \$   | 600                    | \$ 214 |
| Property held for sale |      | 354                    | ---    |
| Total                  | \$   | 954                    | \$ 214 |

#### NOTE 7. INDEBTEDNESS

The Bank's short-term borrowings include federal funds purchased, securities sold under repurchase agreements (including \$2.5 million to directors) 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 federal funds rate.

#### NOTE 8. STOCK OPTION PLAN

The Company has stock option plans with 59,250 shares of common stock reserved for options to key employees. Option prices are the fair market value of the common stock on the date the options were granted.

Details of the number of shares and average prices are as follows:

|                                 | 1995     | 1994    | 1993     |
|---------------------------------|----------|---------|----------|
| Under option, beginning of year | 45,505   | 33,560  | 51,508   |
| Granted                         | 2,702    | 20,285  | 5,000    |
| Exercised                       | (15,220) | (8,340) | (22,948) |
| Expired                         | (750)    | ---     | ---      |
| Under option, end of year       | 32,237   | 45,505  | 33,560   |
| Available to grant, end of year | 27,013   | 29,715  | 50,000   |

  

|                           | Average Prices | 1994     | 1993     |
|---------------------------|----------------|----------|----------|
| Granted during the year   | \$ ---         | \$ 36.25 | \$ 25.00 |
| Exercised during the year | \$ 19.54       | \$ 18.76 | \$ 17.01 |
| Under option, end of year | \$ 32.82       | \$ 28.19 | \$ 20.97 |

## NOTE 9. INCOME TAXES

The components of income tax expense are as follows:

|                      | 1995   | 1994                   | 1993   |
|----------------------|--------|------------------------|--------|
|                      |        | (Dollars in Thousands) |        |
| Currently payable    | \$ 572 | \$ 1,039               | \$ 327 |
| Deferred             | 225    | 97                     | 340    |
| Reported tax expense | \$ 797 | \$ 1,136               | \$ 667 |

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

|   | 1995   | 1994                   | 1993   |
|---|--------|------------------------|--------|
|   |        | (Dollars in Thousands) |        |
| Provision for loan losses                                       | \$ 222 | \$ 51                  | \$ 384 |
| Other writedowns and adjustments                                | ---    | 86                     | 12     |
| Pension plan expenses   | 15     | 30                     | 18     |
| Deferred loan fees, net   | 27     | (12)                   | 22     |
| Security gains and losses                                       | 3      | (2)                    | (5)    |
| Interest on certain non-accrual loans                           | (77)   | (124)                  | (66)   |
| Alternative minimum taxes                                       | ---    | 51                     | (136)  |
| Adoption of Statement on Financial Accounting Standards No. 109 | ---    | ---                    | 99     |
| Other   | 35     | 17                     | 12     |
|   | \$ 225 | \$ 97                  | \$ 340 |

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

|   | 1995     | 1994                   | 1993   |
|---|----------|------------------------|--------|
|   |          | (Dollars in Thousands) |        |
| Expected tax expense (34%)                                      | \$ 1,067 | \$ 1,329               | \$ 980 |
| Interest expense on tax exempt assets                           | 25       | 18                     | 24     |
| Tax exempt interest   | (263)    | (240)                  | (303)  |
| Alternative minimum tax   | ---      | 51                     | (85)   |
| Disqualified incentive stock options                            | (47)     | (44)                   | (50)   |
| Adoption of Statement on Financial Accounting Standards No. 109 | ---      | ---                    | 99     |
| Other, net  | 15       | 22                     | 2      |
| Reported tax expense  | \$ 797   | \$ 1,136               | \$ 667 |

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

|  | 1995                   | 1994    |
|--|------------------------|---------|
|  | (Dollars in thousands) |         |
| Components of Deferred Tax Liability                   |                        |         |
| Depreciation   | \$ (64)                | \$ (31) |
| Accretion of discounts on securities                   | (22)                   | (19)    |
| Net unrealized (gain) on available for sale securities | (273)                  | ---     |
| Deferred loan fees and costs                           | (46)                   | (19)    |
| Other  | (4)                    | (5)     |
| Deferred tax liability                                 | (409)                  | (74)    |
| Components of Deferred Tax Asset                       |                        |         |
| Allowance for loan losses                              | 358                    | 580     |
| Net unrealized loss on available for sale securities   | ---                    | 991     |
| Interest on non-accrual loans                          | 319                    | 241     |
| Deferred compensation                                  | 18                     | 23      |
| Pension  | 56                     | 71      |
| Deferred tax asset, net                                | \$ 342                 | \$1,832 |

## 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, 1995, under noncancellable leases is \$544 thousand which is due as follows:

| Year                     | (Dollars in Thousands) |
|--------------------------|------------------------|
| 1996                     | \$ 104                 |
| 1997                     | 94                     |
| 1998                     | 93                     |
| 1999                     | 80                     |
| 2000                     | 31                     |
| Remaining term of leases | 142                    |
| Total                    | \$ 544                 |

The aggregate rental expense of premises and equipment was \$165 thousand, \$178 thousand and \$140 thousand for 1995, 1994 and 1993, respectively.

#### NOTE 11. PENSION PLAN

The following table sets forth the Pension Plan's funded status and amounts recognized in the Bank's financial statements at December 31:

|  | 1995                   | 1994       |
|--|------------------------|------------|
|  | (Dollars in Thousands) |            |
| Actuarial present value of benefit obligations:                |                        |            |
| Vested benefits  | \$ (1,533)             | \$ (1,556) |
| Accumulated benefit obligation                                 | \$ (1,628)             | \$ (1,605) |
| Projected benefit obligation                                   | \$ (2,289)             | \$ (2,332) |
| Plan assets at fair value                                      | 1,661                  | 2,058      |
| Projected benefit obligation in excess of plan assets          | (628)                  | (274)      |
| Unrecognized net plan asset                                    | (75)                   | (88)       |
| Net deferrals  | 537                    | 153        |
| Pension plan liability included in consolidated balance sheets | \$ (166)               | \$ (209)   |
| Net pension cost includes the following components:            |                        |            |
| Service cost - benefits earned in the current period           | \$ 134                 | \$ 125     |
| Interest cost on projected benefit obligations                 | 149                    | 153        |
| Return on plan assets  | (98)                   | (131)      |
| Recognition of unrecognized net plan asset                     | (12)                   | (13)       |
| Amortization of net deferrals                                  | 31                     | 6          |
| Net pension cost   | \$ 204                 | \$ 140     |
| Contributions to the Plan                                      | \$ 248                 | \$ 229     |

The actuarial present value of benefits and obligations were determined by use of the following assumptions:

|   | 1995 | 1994 |
|---|------|------|
| Discount rate                               | 7.5% | 7.5% |
| Compensation increase                       | 5.0% | 6.5% |
| Expected long term rate of return on assets | 7.5% | 7.5% |

#### 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 \$215 thousand and \$196 thousand in 1995 and 1994, 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.

At December 31, 1995, the Bank had the following off-balance sheet items (in thousands):

|  |    |        |
|--|----|--------|
| Commitments to extend credit:                                  |    |        |
| Home equity lines of credit                                    | \$ | 8,965  |
| Construction and development loans<br>committed but not funded |    | 7,106  |
| Other lines of credit(principally<br>commercial)               |    | 12,374 |
|  | \$ | 28,445 |
| Irrevocable letters of credit                                  | \$ | 1,212  |

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 extension 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 arrangements. Most guarantees extend for less than two years and expire in decreasing amounts through 1997. 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 values of the Bank's financial instruments at December 31, 1995 are as follows:

|  | Carrying<br>Amount     | Fair<br>Value |
|--|------------------------|---------------|
|  | (Dollars in Thousands) |               |
| Cash and due from banks  | \$ 10,932              | \$ 10,932     |
| Investment securities,<br>held to maturity   | 15,020                 | 15,087        |
| Investment securities,<br>available for sale   | 77,604                 | 77,604        |
| Federal funds sold   | 513                    | 513           |
| Loans, net of allowances<br>for loan losses  | 185,804                | 186,922       |
| Deposits:  |                        |               |
| Non-interest bearing<br>deposits   | 42,902                 | 42,902        |
| Savings deposits   | 95,805                 | 95,805        |
| Certificates of Deposit  | 117,828                | 118,385       |
| Securities sold under repurchase<br>agreement and federal funds purchased                  | 15,736                 | 15,736        |
| Interest bearing U.S. Treasury<br>demand notes and other liabilities<br>for borrowed money | 560                    | 560           |
| Commitments to extend credit   | 28,445                 | 28,445        |
| Irrevocable letters of credit  | 1,212                  | 1,212         |

The above presentation of fair values is required by statement on 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 instruments.

The carrying amounts of cash and due from banks, federal funds sold, demand and savings deposit 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 market value approximates carrying value.

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

The fair value of loans is estimated by discounting future cash flows using the 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 total "risk weighted" assets, as defined by the banking regulators. At December 31, 1995, 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 15.47% and 16.47%, respectively. The Company's leverage ratio at December 31, 1995 was 9.80%.

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 1996, without the approval of the Comptroller of the Currency, \$3.40 million plus an additional amount equal to the Bank's retained net profits for 1996 up to the date of any dividend declaration.

The following are the summarized financial statements of the Company.

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

| As of December 31,<br>Dollars in thousands            | 1995            | 1994            | 1993            |
|---|-----------------|-----------------|-----------------|
| <b>ASSETS</b>   |                 |                 |                 |
| Cash in bank  | \$ 122          | \$ 154          | \$ 132          |
| Investment securities                                 | 1,670           | 1,438           | 646             |
| Total Loans   | 52              | 54              | 56              |
| Investment in subsidiary                              | 28,396          | 24,507          | 24,425          |
| Other real estate owned                               | 0               | 0               | 435             |
| Other assets  | 88              | 68              | 142             |
| <b>TOTAL ASSETS</b>                                   | <b>\$30,328</b> | <b>\$26,221</b> | <b>\$25,836</b> |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY</b>            |                 |                 |                 |
| Notes payable - bank                                  | \$ ---          | \$ ---          | \$ ---          |
| Other liabilities                                     | ---             | ---             | ---             |
| Total liabilities                                     | ---             | ---             | ---             |
| Stockholders' equity                                  | 30,328          | 26,221          | 25,836          |
| <b>TOTAL LIABILITIES AND<br/>STOCKHOLDERS' EQUITY</b> | <b>\$30,328</b> | <b>\$26,221</b> | <b>\$25,836</b> |

**OLD POINT FINANCIAL CORPORATION  
PARENT ONLY  
INCOME STATEMENTS**

| For the year ended December 31,<br>Dollars in thousands           | 1995           | 1994           | 1993         |
|---|----------------|----------------|--------------|
| <b>INCOME</b>   |                |                |              |
| Cash dividends from subsidiary                                    | \$1,000        | \$ 950         | \$ 675       |
| Interest and Fees on Loans  | 4              | 5              | 1            |
| Interest income from investment securities                        | 96             | 63             | 32           |
| Other income  | ---            | ---            | 27           |
| <b>TOTAL INCOME</b>   | <b>1,100</b>   | <b>1,018</b>   | <b>735</b>   |
| <b>EXPENSES</b>   |                |                |              |
| Interest on borrowed money  | ---            | ---            | 9            |
| Other expenses  | 274            | 244            | 258          |
| <b>TOTAL EXPENSES</b>   | <b>274</b>     | <b>244</b>     | <b>267</b>   |
| Income before taxes and undistributed<br>net income of subsidiary | 826            | 774            | 468          |
| Income tax  | (59)           | (60)           | (70)         |
| Net income before undistributed<br>net income of subsidiary       | 885            | 834            | 538          |
| Undistributed net income of subsidiary                            | 1,457          | 1,939          | 1,677        |
| <b>NET INCOME</b>   | <b>\$2,342</b> | <b>\$2,773</b> | <b>2,215</b> |

**OLD POINT FINANCIAL CORPORATION  
PARENT ONLY  
STATEMENTS OF CASH FLOWS**

| For the year ending December 31,<br>Dollars in thousands | 1995    | 1994    | 1993    |
|--|---------|---------|---------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>              |         |         |         |
| Net income   | \$2,342 | \$2,773 | \$2,215 |
| Adjustment to reconcile net income to net cash           |         |         |         |



|  |         |         |         |
|--|---------|---------|---------|
| provided by operating activities:              |         |         |         |
| Equity in undistributed (income)               |         |         |         |
| losses of subsidiaries                         | (1,457) | (1,939) | (1,677) |
| Market write-down on other real estate owned   | ---     | ---     | 65      |
| Increase (decrease) in other assets            | (17)    | 95      | (71)    |
| Increase (decrease) in other liabilities       | ---     | ---     | (12)    |
| Net cash provided by operating activities      | 868     | 929     | 520     |
| <br>CASH FLOWS FROM INVESTING ACTIVITIES       |         |         |         |
| (Purchases)/Sales of Investments               | (192)   | (850)   | 125     |
| Purchase of Premises and Equipment             | (21)    | ---     | ---     |
| (Increase) decrease in other real estate owned | ---     | 435     | 250     |
| Loans to Customers                             | 2       | 2       | (56)    |
| Net cash (used in) investing activities        | (211)   | (413)   | 319     |
| <br>CASH FLOWS FROM FINANCING ACTIVITIES       |         |         |         |
| Increase (decrease) in borrowed money          | ---     | ---     | (180)   |
| Proceeds from issuance of common stock         | 88      | 200     | 70      |
| Dividends paid                                 | (777)   | (694)   | (624)   |
| Net cash provided by financing activities      | (689)   | (494)   | (734)   |
| <br>Net increase in cash and due from banks    | (32)    | 22      | 105     |
| Cash and due from banks at beginning of period | 154     | 132     | 27      |
| Cash and due from banks at end of period       | \$122   | \$154   | \$132   |

Accounting Rule Changes

None.

## Regulatory Requirements and Restrictions

For the reserve maintenance period in effect at December 31, 1995, 1994 and 1993 the bank was required to maintain with the Federal Reserve Bank of Richmond an average daily balance totalling approximately \$ 4.6 million, \$4.9 million, and \$4.6 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 twelve persons named below, all of whom currently serve as directors of the Company will be nominated to serve as directors until the 1996 Annual Meeting, or until their successors have been duly elected and have qualified.

| Name and (Age)               | Director Since <F1> | Principal Occupation For Past Five Years                                | Amount and Nature of Beneficial Ownership As of March 14, 1995 (Percent of Class)<F2> |
|------------------------------|---------------------|---|---|
| Dr. Richard F. Clark (63)    | 1981                | Pathologist<br>Sentara Hampton General Hospital                         | 30,589 <F3><br>2.4%   |
| Gertrude S. Dixon (82)       | 1981                | Real Estate Management and Ownership                                    | 96,062 <F3><br>7.5%   |
| Russell Smith Evans Jr. (53) | 1993                | Assistant Treasurer and Corporate Fleet Manager<br>Ferguson Enterprises | 715 <F3><F5>  |
| G. Royden Goodson, III (40)  | 1994                | President<br>Warwick Plumbing & Heating Corp.                           | 2,450 <F3><F5>  |
| Arthur D. Greene (51)        | 1994                | Surgeon - Partner<br>Tidewater Orthopaedic Associates                   | 1,000 <F5>  |
| Stephen D. Harris (54)       | 1988                | Attorney-at-Law - Partner<br>Geddy, Harris & Geddy                      | 4,175 <F5>  |
| John Cabot Ishon (49)        | 1989                | President<br>Hampton Stationery   | 6,290 <F3><F5>  |
| Eugene M. Jordan (72)        | 1964                | Attorney-at-Law<br>Jordan, Ishon & Jordan, P.C.                         | 13,890 <F3><br>1.1%   |

|                              |      |  |                         |
|------------------------------|------|--|-------------------------|
| John B. Morgan, II (49)      | 1994 | Vice President<br>Morgan-Marrow Insurance                                    | 1,200 <F3><F5>          |
| Dr. H. Robert Schappert (57) | 1996 | Veterinarian - Owner<br>Beechmont Veterinary Hospital                        | 44,870 <F3><br>3.5%     |
| John G. Sebrell (48)         | 1992 | President & CEO<br>The Old Point National<br>Bank of Phoebus                 | 14,647 <F4><br>1.1%     |
| Robert F. Shuford (58)       | 1965 | Chairman of the Board,<br>President & CEO<br>Old Point Financial Corporation | 70,579 <F3><F4><br>5.5% |

<F1>

Refers to the year in which the individual first became a director of the Bank. Dr. Richard F. Clark, Gertrude S. Dixon, Eugene M. Jordan, and Robert F. Shuford became directors of the Company upon consummation of the Bank's reorganization on October 1, 1984. Russell Smith Evans, Jr. was elected April 27, 1993, G. Royden Goodson, III was elected on August 9, 1994, Dr. Arthur D. Greene was elected on August 9, 1994, John B. Morgan, II was elected on October 11, 1994, Stephen D. Harris was elected October 11, 1988, John Cabot Ishon was elected March 27, 1990, John G. Sebrell was elected August 11, 1992, and Dr. H. Robert Schappert was elected February 13, 1996. All present directors of the Company are directors of the Bank.

<F2>

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.

<F3>

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, 54 shares; Mrs. Dixon, 48,740 shares; Mr. Evans, 315 shares; Mr. Goodson, 1,900 shares; Mr. Ishon, 1,640 shares; Mr. Jordan, 8,485 shares; Mr. Morgan, 1,000 shares; Dr. Schappert, 40,685 shares; and Mr. Shuford, 39,266 shares.

<F4>

Includes shares that may be acquired within 60 days pursuant to the exercise of stock options granted under the Old Point Stock Option Plans - Mr. Sebrell 12,977 and Mr. Shuford 2,750.

<F5>

Represents less than 1.0% of total outstanding 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 serves 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 Form 4 filings during 1995.

In addition to the 2 executive officers included in the preceding list of directors, the persons listed below were executive officers of the Company or its subsidiary as of December 31, 1995.

| Name and (Age)          | Executive<br>Officer<br>Since (1) | Principal<br>Occupation For<br>Past Five Years                         |
|-------------------------|-----------------------------------|--|
| Louis G. Morris (41)    | 1988                              | Senior Vice President and Treasurer<br>Old Point Financial Corporation |
| Cary B. Epes (47)       | 1993                              | Senior Vice President<br>Old Point Financial Corporation               |
| W. Rodney Rosser (55)   | 1989                              | Senior Vice President and Secretary<br>Old Point Financial Corporation |
| Margaret P. Causby (45) | 1992                              | Senior Vice President<br>Old Point National Bank                       |

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

(1) Prior to employment with the Company, Cary B. Epes was Vice President and Commercial Account Manager at Crestar Bank. All other executive officers served in virtually the same capacity with the Company and/or the Bank prior to appointment as an executive officer.

## Item 11. Executive Compensation

### Cash Compensation

The following table presents 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 1995 exceeds \$100,000. Mr. Robert F. Shuford is compensated by the Company and Mr. John G. Sebrell is compensated by the Bank.

SUMMARY COMPENSATION TABLE  
Annual Compensation

| Name<br>and<br>Principal<br>Position                                 | Year | Salary<br>(\$) | Bonus<br>(\$) | Other<br>Annual<br>Compensation<br>(\$) | All Other<br>Compensation<br>(\$) |
|--|------|----------------|---------------|---|-----------------------------------|
| Robert F. Shuford<br>Holding Company<br>Chairman, President<br>& CEO | 1995 | \$147,900 <F1> | \$ 0          | \$ 2,891                                | \$55,053 <F3>                     |
|  | 1994 | \$143,400 <F1> | \$ 6,000 <F2> | \$ 2,941                                | \$42,610 <F3>                     |
|  | 1993 | \$138,100 <F1> | \$ 4,000      | \$ 3,233                                | \$65,655 <F3>                     |
| John G. Sebrell<br>Bank<br>President & CEO<br><F1>                   | 1995 | \$113,900 <F1> | \$ 0          | \$ 8,047                                | \$ 6,369 <F4>                     |
|  | 1994 | \$110,400 <F1> | \$12,244 <F2> | \$ 8,631                                | \$ 5,682                          |
|  | 1993 | \$105,100 <F1> | \$ 8,000      | \$11,119                                | \$ 0                              |

Salary includes directors' fees as follows: Mr. Shuford - 1995 of \$3,900, 1994 of \$5,400, and 1993 of \$5,100; Mr. Sebrell - 1995 of \$3,900, 1994 of \$5,400, and 1993 of \$5,100.

<F2>

In 1994, bonus consideration for Mr. Shuford and Mr. Sebrell was deferred until January of the following year so that year end results could be evaluated by the Compensation Committee.

<F3>

Mr. Shuford has received other compensation as follows:

|                             | 1995     | 1994     | 1993     |
|-----------------------------|----------|----------|----------|
| Profit Sharing              | \$ 3,233 | \$ 3,001 | \$2,592  |
| 401-K Matching Plan         | 4,320    | 4,149    | 3,990    |
| Split Dollar Life Insurance | 24,750   | 1,460    | 1,323    |
| Sale of ISO *               | 22,750   | 34,000   | 57,750   |
| Total                       | \$55,053 | \$42,610 | \$65,655 |

\* The Split Dollar policy was awarded to Mr. Shuford in 1995. When this occurs the gain must be treated as compensation to the employee.

\* When an incentive stock option (ISO) share is sold prior to a one year vesting period, the gain on the sale is treated as compensation to the employee.

<F4>

Mr. Sebrell has received other compensation as follows:

|                             | 1995     | 1994     | 1993 |
|-----------------------------|----------|----------|------|
| Profit Sharing              | \$ 2,469 | \$ 2,285 | \$ 0 |
| 401-K Matching Plan         | 3,300    | 3,159    | 0    |
| Split Dollar Life Insurance | 600      | 238      | 0    |
| Total                       | \$ 6,369 | \$ 5,682 | \$ 0 |

Mr. Sebrell was ineligible for participation in the profit sharing and 401-K Plan prior to 1994.

## 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 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, 1995, borrowing by all policy making officers and directors amounted to \$1.2 million. This amount represented 4.0% of the total equity capital accounts of the Company as of December 31, 1995. 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 Bank expects to have in the future similar banking transactions with directors, officers, principal stockholders and their associates.

The law firm of Jordan, Ishon and Jordan, P.C. serves as legal counsel to the Bank. Mr. Eugene M. Jordan is a member of the firm. During 1995, the firm received from the Bank a retainer and fees totalling \$67,696. Hampton Stationery, of which John Cabot Ishon is the owner, provided furniture and supplies to the Bank for which it paid \$104,353 during 1995. Morgan-Marow Company, of which John B. Morgan, II is President, provided insurance to the Bank, the total premiums of which were \$195,802 during 1995. Geddy, Harris & Geddy, of which Stephen D. Harris is a partner, also provided legal services to the Bank during 1995.

## PART IV

### Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

#### 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, 1995 and 1994 Consolidated Statements of Income  
Years Ended December 31, 1995, 1994 and 1993 Consolidated Statements of Changes in Stockholders' Equity

Years Ended December 31, 1995, 1994 and 1993  
Consolidated Statements of Cash Flows  
Years Ended December 31, 1995, 1994 and 1993  
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<br>Common Stock            | Part II, Item 7 |
| Proceeds from sales and maturities<br>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<br>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 |

### 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:

No Reports on Form 8-K were filed during the fourth quarter of 1995.

### 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 27th day of March, 1996.

#### 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 27th day of March, 1996.*

| <i>Signature</i>   | <i>Title</i>                                 |
|--|--|
| <i>/s/Robert F. Shuford</i><br><i>Robert F. Shuford</i><br><i>Principal Executive Officer</i>              | <i>President and Director</i>                |
| <i>/s/Louis G. Morris</i><br><i>Louis G. Morris</i><br><i>Principal Financial &amp; Accounting Officer</i> | <i>Senior Vice President and Treasurer</i>   |
| <i>/s/Richard F. Clark *</i>   | <i>Director</i>                              |
| <i>/s/Gertrude S. Dixon *</i>  | <i>Director</i>                              |
| <i>/s/Russell S. Evans, Jr. *</i>  | <i>Director</i>                              |
| <i>/s/G. Royden Goodson, III</i>   | <i>Director</i>                              |
| <i>/s/Dr. Arthur D. Greene</i>   | <i>Director</i>                              |
| <i>/s/Steven D. Harris *</i>   | <i>Director</i>                              |
| <i>/s/John Cabot Ishon *</i>   | <i>Director</i>                              |
| <i>/s/Eugene M. Jordan *</i>   | <i>Director</i>                              |
| <i>/s/John B. Morgan *</i>   | <i>Director</i>                              |
| <i>/s/Dr. H. Robert Schappert *</i>  | <i>Director</i>                              |
| <i>/s/John G. Sebrell *</i>  | <i>Executive Vice President and Director</i> |



**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.

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

Eggleston Smith P.C.  
Certified Public Accountants & Consultants

### **CONSENT OF INDEPENDENT AUDITORS**

Board of Directors  
Old Point Financial Corporation

We consent to the incorporation in this Annual Report on Form 10-K our report dated January 12, 1996, relating to the consolidated financial statements of Old Point Financial Corporation as of December 31, 1995, 1994, and 1993, and for each of the years in the three-year period ended December 31, 1995.

*/s/Eggleston Smith P.C.*

*Newports News, Virginia  
March 25, 1996*



## EXHIBIT 25. POWERS OF ATTORNEY

### Old Point Financial Corporation

#### Power of Attorney

I, Russell S. Evans, Jr., do hereby constitute and appoint Robert F. Shuford, John G. Sebrell, 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, 1995 and any and all amendments to such Report, together with such other supplements, statements, instrument 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 9th day of January, 1996.

*/s/ Russell S. Evans (SEAL)*

*Old Point Financial Corporation*

#### Power of Attorney

I, Richard F. Clark, do hereby constitute and appoint Robert F. Shuford, John G. Sebrell, 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, 1995 and any and all amendments to such Report, together with such other supplements, statements, instrument 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 9th day of January, 1996.

*/s/ Richard F. Clark (SEAL)*

*Old Point Financial Corporation*

#### Power of Attorney

I, Gertrude S. Dixon, do hereby constitute and appoint Robert F. Shuford, John G. Sebrell, 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, 1995 and any and all amendments to such Report, together with such other supplements, statements, instrument 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 9th day of January, 1996.

*/s/ Gertrude S. Dixon (SEAL)*

*Old Point Financial Corporation*

### **Power of Attorney**

I, Stephen D. Harris, do hereby constitute and appoint Robert F. Shuford, John G. Sebrell, 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, 1995 and any and all amendments to such Report, together with such other supplements, statements, instrument 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 9th day of January, 1996.

*/s/ Stephen D. Harris (SEAL)*

*Old Point Financial Corporation*

### **Power of Attorney**

I, John Cabot Ishon, do hereby constitute and appoint Robert F. Shuford, John G. Sebrell, 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, 1995 and any and all amendments to such Report, together with such other supplements, statements, instrument 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 9th day of January, 1996.

*/s/ John Cabot Ishon (SEAL)*

*Old Point Financial Corporation*

### **Power of Attorney**

I, Eugene M. Jordan, do hereby constitute and appoint Robert F. Shuford, John G. Sebrell, 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, 1995 and any and all amendments to such Report, together with such other supplements, statements, instrument 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 9th day of January, 1996.

*/s/ Eugene M. Jordan (SEAL)*

*Old Point Financial Corporation*

### **Power of Attorney**

I, John G. Sebrell, do hereby constitute and appoint Robert F. Shuford, John G. Sebrell, 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, 1995 and any and all amendments to such Report, together with such other supplements, statements, instrument 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 9th day of January, 1996.

*/s/ John G. Sebrell (SEAL)*

*Old Point Financial Corporation*

#### **Power of Attorney**

I, Robert F. Shuford, do hereby constitute and appoint Robert F. Shuford, John G. Sebrell, 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, 1995 and any and all amendments to such Report, together with such other supplements, statements, instrument 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 9th day of January, 1996.

*/s/Robert F. Shuford (SEAL)*

*Old Point Financial Corporation*

#### **Power of Attorney**

I, Dr. Arthur D. Greene, do hereby constitute and appoint Robert F. Shuford, John G. Sebrell, 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, 1995 and any and all amendments to such Report, together with such other supplements, statements, instrument 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 9th day of January, 1996.

*/s/ Dr. Arthur D. Greene (SEAL)*

*Old Point Financial Corporation*

#### **Power of Attorney**

I, John B. Morgan, do hereby constitute and appoint Robert F. Shuford, John G. Sebrell, 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, 1995 and any and all

amendments to such Report, together with such other supplements, statements, instrument 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 9th day of January, 1996.

*/s/ John B. Morgan (SEAL)*

*Old Point Financial Corporation*

#### **Power of Attorney**

I, G. Royden Goodson, III, do hereby constitute and appoint Robert F. Shuford, John G. Sebrell, 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, 1995 and any and all amendments to such Report, together with such other supplements, statements, instrument 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 9th day of January, 1996.

*/s/ G. Royden Goodson, III (SEAL)*

*Old Point Financial Corporation*

#### **Power of Attorney**

I, Dr. H. Robert Schappert, do hereby constitute and appoint Robert F. Shuford, John G. Sebrell, 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, 1995 and any and all amendments to such Report, together with such other supplements, statements, instrument 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 12th day of March, 1996.

*/s/ H. Robert Schappert (SEAL)*

**ARTICLE 9**

MULTIPLIER: 1000

| PERIOD TYPE                  | YEAR        |
|------------------------------|-------------|
| FISCAL YEAR END              | DEC 31 1995 |
| PERIOD END                   | DEC 31 1995 |
| CASH                         | 10,932      |
| INT BEARING DEPOSITS         | 65          |
| FED FUNDS SOLD               | 513         |
| TRADING ASSETS               | 0           |
| INVESTMENTS HELD FOR SALE    | 77,604      |
| INVESTMENTS CARRYING         | 15,020      |
| INVESTMENTS MARKET           | 15,087      |
| LOANS                        | 188,055     |
| ALLOWANCE                    | 2,251       |
| TOTAL ASSETS                 | 304,266     |
| DEPOSITS                     | 256,535     |
| SHORT TERM                   | 16,296      |
| LIABILITIES OTHER            | 1,107       |
| LONG TERM                    | 0           |
| PREFERRED MANDATORY          | 0           |
| PREFERRED                    | 0           |
| COMMON                       | 6,368       |
| OTHER SE                     | 23,960      |
| TOTAL LIABILITIES AND EQUITY | 304,266     |
| INTEREST LOAN                | 16,079      |
| INTEREST INVEST              | 5,455       |
| INTEREST OTHER               | 0           |
| INTEREST TOTAL               | 21,534      |
| INTEREST DEPOSIT             | 8,848       |
| INTEREST EXPENSE             | 9,531       |
| INTEREST INCOME NET          | 12,003      |
| LOAN LOSSES                  | 825         |
| SECURITIES GAINS             | 9           |
| EXPENSE OTHER                | 11,884      |
| INCOME PRETAX                | 3,139       |
| INCOME PRE EXTRAORDINARY     | 3,139       |
| EXTRAORDINARY                | 0           |
| CHANGES                      | 0           |
| NET INCOME                   | 2,342       |
| EPS PRIMARY                  | 1.84        |
| EPS DILUTED                  | 1.84        |
| YIELD ACTUAL                 | 8.07        |
| LOANS NON                    | 2,447       |
| LOANS PAST                   | 248         |
| LOANS TROUBLED               | 0           |
| LOANS PROBLEM                | 3,198       |
| ALLOWANCE OPEN               | 2,647       |
| CHARGE OFFS                  | 1,720       |
| RECOVERIES                   | 499         |
| ALLOWANCE CLOSE              | 2,251       |
| ALLOWANCE DOMESTIC           | 2,251       |
| ALLOWANCE FOREIGN            | 0           |
| ALLOWANCE UNALLOCATED        | 0           |

## EXHIBIT 3. ARTICLES OF INCORPORATION AND BYLAWS

AMENDED: 04.25.95

(ART. III-A - ENTIRETY)

### ARTICLES OF INCORPORATION

#### OLD POINT FINANCIAL CORPORATION

##### I. Name

**The name of the Corporation is Old Point Financial Corporation.**

##### II. Purpose

The purpose for which the Corporation is organized is to act as a bank holding company and to transact any and all lawful business, not required to be specifically stated in the Articles of Incorporation, for which corporations may be incorporated under the Virginia Stock Corporation Act.

##### III. Capital Stock

A. General Authorization. The Corporation shall have authority to issue 6,000,000 shares of Common Stock, par value \$5.00 per share.

B. No Preemptive Rights. Shareholders shall have no preemptive rights to acquire any unissued shares of the Corporation.

C. Cumulative Voting. At all elections of directors of the Corporation, each holder of Common Stock shall be entitled to cast as many votes as shall equal the number of votes which he would be entitled to cast for the election of directors with respect to his shares of Common Stock multiplied by the number of directors to be elected, and he may cast all such votes for a single director or may distribute them among as many candidates as he may see fit.

##### IV. Certain Business Combinations

A. Higher Vote for Certain Business Combinations. The affirmative vote of the holders of not less than 75% of the outstanding shares of Common Stock of the Corporation shall be required for the approval or authorization of a Business Combination (as hereinafter defined). The foregoing shall not apply to a Business Combination, and such Business Combination shall require only such approval as is required by law, if it shall have been approved by the affirmative vote of at least 80% of the entire Board of Directors.

B. Certain Definitions. For purposes of this Article IV:

1. A "Business Combination" shall mean (i) any merger or consolidation of the Corporation or a subsidiary with or into, or the exchange of shares of Common Stock of the Corporation for cash or property of, an Acquiring Person, (ii) any sale, lease, exchange or other disposition of all or substantially all of the assets of the Corporation or a subsidiary to or with an Acquiring Person, (iii) any reclassification of securities (including any reverse stock split), recapitalization or other transaction that would have the effect of increasing the voting power of an Acquiring Person, or (iv) any plan or proposal for the liquidation or dissolution of the Corporation proposed by or on behalf of an Acquiring Person.

2. An "Acquiring Person" shall mean any individual, firm, corporation, trust or any other entity which: (i) beneficially owns, together with its affiliates and associated persons, 5% or more of the outstanding shares of Common Stock of the Corporation; or (ii) though owning less than 5% of such shares, proposes or undertakes to obtain control or exercise a controlling influence over the Corporation as determined by the Board of Directors.

C. Amendment or Repeal. The provisions of this Article shall not be amended or repealed, nor shall any provision of these Articles of Incorporation be adopted that is inconsistent with this Article, unless such action shall have been approved by the affirmative vote of either: (i) the holders of at least 75% of the outstanding shares of Common Stock; or (ii) 80% of the entire Board of Directors and the holders of the requisite number of shares required under Virginia law for the amendment of articles of incorporation.

D. Certain Determinations by the Board of Directors. When evaluating a proposed Business Combination, the Board of Directors of the Corporation shall, in connection with the exercise of its judgment in determining what is in the best interests of the Corporation and its stockholders, give due consideration not only to price or other consideration being offered, but also to all other relevant factors, including, without limitation, (i) the financial and managerial resources and future prospects of the Acquiring Person, (ii) the possible effects on the business, employees, customers and creditors of the Corporation and its subsidiaries. In evaluating any proposed Business Combination, the

Board of Directors shall be deemed to be performing their duly authorized duties and acting in good faith and in the best interests of the Corporation and its stockholders.

Any determination made in good faith by the Board of Directors, on the basis of information at the time available to it, whether (i) an individual, firm, corporation or other entity is an Acquiring Person, (ii) the number of shares of Common Stock beneficially owned, directly or indirectly, by such person is more than 5% of the outstanding shares, or (iii) any individual, firm, corporation or other entity is an "affiliate" or "associated person" of an Acquiring Person, shall be conclusive and binding for all purposes of this Article IV.

## V. Directors

The number of directors shall be fixed by the Bylaws. Absent any Bylaw fixing the number of directors, that number shall be 25.

## VI. Indemnification and Limit on Liability

A. To the full extent permitted by the Virginia Stock Corporation Act, as it exists on the date hereof or may hereafter be amended, each director and officer shall be indemnified by the Corporation against liabilities, fines, penalties and claims imposed upon or asserted against him (including amounts paid in settlement) by reason of having been such director or officer, whether or not then continuing so to be, and against all expenses (including counsel fees) reasonably incurred by him in connection therewith, except in relation to matters as to which he shall have been finally adjudged liable by reason of his willful misconduct or a knowing violation of criminal law in the performance of his duty as such director or officer. The right of indemnification hereby provided shall not be exclusive of any other rights to which any director may be entitled.

B. To the full extent that the Virginia Stock Corporation Act, as it exists on the date hereof or may hereafter be amended, permits the limitation or elimination of the liability of directors or officers, a director or officer of the Corporation shall not be liable to the Corporation or its stockholders for monetary damages.

C. The Board of Directors is hereby empowered, by a majority vote of a quorum of disinterested directors, to indemnify or contract in advance to indemnify any person not specified in subsection (A) of this Article against liabilities, fines, penalties and claims imposed upon or asserted against him (including amounts paid in settlement) by reason of having been an employee, agent or consultant of the Corporation, whether or not then continuing so to be, and against all expenses (including counsel fees) reasonably incurred by him in connection therewith, to the same extent as if such person were specified as one to whom indemnification is granted in subsection (a) of this Article.

D. Every reference in this Article to director, officer, employee, agent or consultant shall include (i) every director, officer, employee, agent or consultant of the Corporation or any consultant of the Corporation or any corporation the majority of the voting stock of which is owned directly or indirectly by the Corporation, (ii) every former director, officer, employee, agent or consultant of the Corporation, (iii) every person who may have served at the request of or on behalf of the Corporation as a director, officer, employee, agent, consultant or trustee of another corporation, partnership, joint venture, trust or other entity, and (iv) in all of such cases, his executors and administrators.

E. The provisions of this Article VI shall be applicable from and after its adoption even though some or all of the underlying conduct or events relating to such a proceeding may have occurred before such adoption. No amendment, modification or repeal of this Article VI shall diminish the rights provided hereunder to any person arising from conduct or events occurring before the adoption of such amendment, modification or repeal.

F. In the event there has been a change in the composition of a majority of the Board of Directors after the date of the alleged act or omission with respect to which indemnification is claimed, any determination as to indemnification and advancement of expenses with respect to any claim for indemnification made pursuant to subsection (A) of this Article VI shall be made by special legal counsel agreed upon by the Board of Directors and the proposed indemnitee are unable to agree upon such special legal counsel, the Board of Directors and the proposed indemnitee each shall select a nominee, and the nominee shall select such special legal counsel.

08.11.92

## **BYLAWS OF OLD POINT FINANCIAL CORPORATION**

### **ARTICLE I.**

### **STOCKHOLDERS**

#### **AMENDED: 08/11/92**

1.1 Annual Meeting. The annual meeting of the stockholders of the Corporation for the election of directors and for the transaction of such other business authorized or required to be transacted by the stockholders shall be held in Hampton, Virginia, at the main office of the Old Point National Bank, or at any other convenient place authorized by the Board of Directors, on the fourth Tuesday in April of each year, but if

no election of directors is held on that day, it may be held on a subsequent date designated by the Board of Directors or stockholders in accordance with law.

1.2 Special Meetings. Special meetings of the stockholders for any purpose or purposes shall be held whenever called by the Chairman of the Board, or by the President if there is no Chairman of the Board, or by the Board of Directors or by the holders of not less than one-tenth of all the shares entitled to vote at the meeting.

1.3 Notice of Meetings. Notice of the annual or any special meeting shall be mailed at least ten days, and not more than fifty days, prior to the date of the meeting to each registered stockholder at his address as the same appears on the books of the Corporation. If the meeting shall be called to act on an amendment to the Articles of Incorporation or on a plan of merger, consolidation or exchange, or on a reduction of stated capital, or upon a proposed sale of all or substantially all of the assets of the Corporation, notice shall be given not less than twenty-five nor more than fifty days before the date of the meeting, and such notice shall be accompanied by a copy of the proposed amendment or plan of merger, consolidation, or exchange, or the proposed plan for reduction of capital.

1.4 Quorum. At any meeting of the stockholders the holders of a majority of the shares issued and outstanding, having voting power (which shall not include any treasury stock held by the Corporation), being present in person or represented by proxy, shall be a quorum for all purposes, including the election of directors.

1.5 Voting. At all meetings of the stockholders, stockholders shall be entitled to vote, either in person or by proxy duly appointed by an instrument in writing, subscribed by such stockholder or by his authorized attorney; at all meetings such stockholder shall have one vote for each share of stock entitled under the provisions of the charter to voting rights which may be registered in his name upon the books of the Corporation on the day preceding that on which the transfer books may be closed by order of the Board of Directors. Treasury stock held by the Corporation shall not be entitled to vote.

## **ARTICLE II**

### **BOARD OF DIRECTORS**

2.1 Number. The business and affairs of the Corporation shall be managed and controlled by a Board of Directors which shall consist of not less than five nor more than twenty-five shareholders, the exact number within such minimum and maximum limits to be fixed and determined from time to time by the Board of Directors or by resolution of the shareholders at any meeting thereof. A director may be removed at any time with or without cause by a vote of the stockholders.

2.2 Term of Office. Each director shall serve for the term of one year and until his successor shall have been duly chosen and qualified.

2.3 Vacancies. Any vacancy occurring in the Board of Directors, including a vacancy resulting from an increase of not more than two in number of directors, may be filled by the affirmative vote of a majority of the remaining directors though less than a quorum of the Board of Directors.

2.4 Stockholder Nominations of Directors. Subject to the rights of holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation, nominations for the election of Directors shall be made by the Board of Directors or a committee appointed by the Board of Directors or by any stockholder entitled to vote in the election of Directors generally. However, any stockholder entitled to vote in the election of Directors generally may nominate one or more persons for election as Directors at a meeting only if written notice of such stockholder's intent to make such nomination or nominations has been given, either by personal delivery or by United States mail, postage prepaid, to the President of the Corporation not less than 14 days nor more than 50 days in advance of such meeting, provided, however, that if less than 21 days' notice of the meeting is given to stockholders, such nomination shall be mailed or delivered to the President of the Holding Company not later than the close of business on the seventh day following the day on which the notice of the meeting was mailed. Each such notice shall set forth (a) the name and address of the stockholder who intends to make the nomination and of the person or persons to be nominated; (b) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (c) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder; (d) the principal occupation of each nominee; (e) the total number of shares that to the knowledge of the notifying stockholder will be voted for each of the nominees; and (f) the consent of each nominee to serve as a Director of the Corporation if so elected. The Chairman of the meeting may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedure.

## **ARTICLE III**

### **DIRECTORS' MEETINGS**

3.1 Regular Meetings. Regular meetings of the Board of Directors shall be held annually, immediately following each annual meeting of stockholders, for the purpose of electing officers and carrying on such other business as may properly come before such meeting, and, if necessary, immediately following each special meeting of stockholders to consider and act upon any matter which may properly come before such meeting. Any such meeting shall be held at the place where the stockholders' meeting was held. The Board of Directors may also adopt a



schedule of additional meetings which shall be considered regular meetings, and such meetings shall be held at the time and place, within or without the Commonwealth of Virginia, as the Chairman or, in his absence, the President shall designate.

**3.2 Special Meetings.** Special meetings of the Board of Directors shall be held on the call of the Chairman, the President, any three members of the Board of Directors or a majority of the Board of Directors at the principal office of the Corporation or at such other place as shall be designated.

**3.3 Telephone Meetings.** The Board of Directors may participate in a meeting by means of conference telephone or similar communications equipment whereby all persons participating in the meeting can hear each other, and participation by such means shall constitute presence in person at such meeting. When such a meeting is conducted by means of conference telephone or similar communications equipment, a written record shall be made of the action taken at such meeting.

**3.4 Notice of Meetings.** No notice need be given of regular meetings of the Board of Directors.

Notice of special meetings of the Board of Directors shall be mailed to each director at least three (3) days, or telegraphed at least two (2) days prior to the date of the meeting and must set forth the purpose for which the meeting is called.

**3.5 Quorum; Required Vote.** A majority of the directors shall constitute a quorum for the transaction of business by the Board of Directors. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors unless the act of a greater number is required by law or these Bylaws.

**3.6 Waiver of Notice.** Notwithstanding any other provisions of law, the Articles of Incorporation or these Bylaws, whenever notice of any meeting for any purpose is required to be given to any director a waiver thereof in writing, signed by the person entitled to said notice, whether before or after the time stated therein, shall be the equivalent to the giving of such notice.

A director who attends a meeting shall be deemed to have had timely and proper notice of the meeting unless he attends for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

**3.7 Actions by Directors Without Meeting.** Any action required to be taken at a meeting of the directors, or any action which may be taken at a meeting of the directors, may be taken without a meeting if a consent in writing, setting forth the action, shall be signed either before or after such action by all of the directors. Such consent shall have the same force and effect as a unanimous vote.

## **ARTICLE IV**

### **COMMITTEES OF DIRECTORS**

**4.1 Executive Committee.** The Board of Directors, by resolution adopted by a majority of the number of directors fixed by these Bylaws, may designate four or more directors to constitute an Executive Committee. A majority of the members of the Executive Committee shall constitute a quorum. The Executive Committee shall meet on the call of any of its members. Notice of any such meeting shall be given by mail, telephone, telegraph or other means by the close of business on the day before such meeting is to be held. The Executive Committee shall have and may exercise all of the authority of the Board of Directors except to approve (i) an amendment of the Articles of Incorporation; (ii) a plan of merger or consolidation; (iii) a plan of exchange under which the Corporation would be acquired; (iv) the sale, lease or exchange, or the mortgage or pledge for a consideration other than money, of all, or substantially all, the property and assets of the Corporation otherwise than in the usual and regular course of its business; (v) the voluntary dissolution of the Corporation; (vi) revocation of voluntary dissolution proceedings; (vii) any employee benefit plan involving the issuance of common stock; (viii) the compensation paid to a member of the Executive Committee; or (ix) an amendment of these Bylaws.

**4.2 Audit Committee.** The Board of Directors may appoint an Audit Committee consisting of not less than three directors, none of whom shall be officers, which Committee shall regularly review the adequacy of internal financial controls, review with the Corporation's independent public accountants the annual audit and other financial statements, and recommend the selection of the Corporation's independent public accountants.

The Audit Committee of the Board of Directors of The Old Point National Bank may also serve as the Audit Committee for the Board of Directors of the Corporation.

**4.3 Other Committees.** The Board of Directors may designate such other committees with limited authority as it may deem advisable.

**4.4 Telephone Meetings.** Committees may participate in meetings by means of conference telephone or similar communications equipment whereby all persons participating in the meeting can hear each other, and participation by such means shall constitute presence in person at such meeting. When such meeting is conducted by means of a conference telephone or similar communications equipment, a written record shall be made of the action taken at such meeting.

4.5 Actions by Committees Without Meetings. Any action which may be taken at a committee meeting, may be taken without a meeting if a consent in writing, setting forth the action, shall be signed either before or after such action by all of the members of the committee. Such consent shall have the same force and effect as an unanimous vote.

4.6 Committee Rules. Unless the Board of Directors otherwise provides, each committee designated by the Board of Directors may adopt, amend and repeal rules for the conduct of its business. In the absence of direction by the Board of Directors or a provision in the rules of such committee to the contrary, a majority of the entire authorized number of members of such committee shall constitute a quorum for the transaction of business, the vote of a majority of the members present at a meeting at the time of such vote if a quorum is then present shall be the act of such committee. Except to the extent that these Bylaws contain provisions to the contrary, in other respects each committee shall conduct its business in the same manner as the Board of Directors is required to conduct its business.

## **ARTICLE V**

### **OFFICERS AND EMPLOYEES**

5.1 Chairman of the Board. The Board of Directors may appoint one of its members to be Chairman of the Board to serve at the pleasure of the Board. He shall preside at all meetings of the Board of Directors. The Chairman of the Board shall supervise the carrying out of the policies adopted or approved by the Board. He shall have general executive powers, as well as the specific powers conferred by these Bylaws. He shall also have and may exercise such further powers and duties as from time to time may be conferred upon or assigned to him by the Board of Directors.

5.2 President. The Board of Directors shall appoint one of its members to be President of the Corporation. In the absence of the Chairman, he shall preside at any meeting of the Board. The President shall have general executive powers and shall have and may exercise any and all other powers and duties pertaining by law, regulation, or practice, to the Office of President or imposed by these Bylaws. He shall also have and may exercise such further powers and duties as from time to time may be conferred upon or assigned to him by the Board of Directors.

5.3 Vice President. The Board of Directors may appoint one or more Vice Presidents. Each Vice President shall have such powers and duties as may be assigned to him by the Board of Directors. One Vice President shall be designated by the Board of Directors, in the absence of the President, to perform all the duties of the President.

5.4 Secretary. The Board of Directors shall appoint a Secretary or other designated officer who shall be Secretary of the Board and of the Corporation, and shall keep accurate minutes of all meetings. He shall attend to the giving of all notices required by these Bylaws to be given. He shall be custodian of the corporate seal, records, documents and papers of the Corporation. He shall provide for the keeping of proper records of all transactions of the Corporation. He shall have and may exercise any and all other powers and duties pertaining by law, regulation or practice, to the Office of Secretary or imposed by these Bylaws. He shall also perform such other duties as may be assigned to him, from time to time, by the Board of Directors.

5.5 Other Officers. The Board of Directors may appoint such other officers as from time to time may appear to the Board of Directors to be required or desirable to transact the business of the Corporation. Such officers shall respectively exercise such powers and perform such duties as to pertain to their several offices, or as may be conferred upon, or assigned to, them by the Board of Directors, the Chairman of the Board, or the President.

5.6 Clerks and Agents. The Board of Directors may appoint, from time to time, such clerks, agents and employees as it may deem advisable for the prompt and orderly transaction of the business of the Corporation, define their duties, fix the salaries to be paid to them and dismiss them. Subject to the authority of the Board of Directors, the President, or any other officer of the Corporation authorized by him, may appoint and dismiss all or any clerks, agents and employees and prescribe their duties and the conditions of their employment, and from time to time fix their compensation.

5.7 Tenure of Office. The President shall hold his office for the current year for which the Board of which he shall be a member was elected, unless he shall resign, become disqualified, or be removed; and any vacancy occurring in the Office of President shall be filled promptly by the Board of Directors.

## **ARTICLE VI**

### **CERTIFICATES OF STOCK**

6.1 Form and Issuance. Certificates of stock shall be in such form as may be approved by the Board of Directors and shall be signed by the President or any Vice President and the Secretary or an Assistant Secretary or the Treasurer or an Assistant Treasurer, and may (but need not) be sealed with the seal of Corporation or a facsimile thereof. Any such signature may be a facsimile.

6.2 Lost, Stolen or Destroyed Stock Certificates; Issuances of New Certificates. The Corporation may issue a new certificate of stock in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the Corporation may require the owner of the lost, stolen or destroyed certificate, or his legal representative, to give the Corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate.

6.3 Transfer. The Board of Directors shall have power and authority to make all such rules and regulations as they may deem expedient concerning the issue, registration and transfer of certificates of stock and may appoint transfer agents or clerks and registrars thereof. Unless otherwise provided, transfers of shares of stock by the Corporation shall be made upon its books by surrender of the certificates for the shares transferred accompanied by an assignment in writing by the holder and may be accomplished either by the holder in person or by a duly authorized attorney- in-fact.

6.4 Recognition of Other Stock Certificates. The Corporation will recognize as its own common stock certificates those stock certificates representing shares of common stock of The Old Point National Bank of Phoebus, which certificates have not been heretofore exchanged for certificates representing shares of common stock of the Corporation.

## **ARTICLE VII**

### **AMENDMENTS**

7.1 New Bylaws and Alterations. These Bylaws may be amended or repealed and new Bylaws may be made at any regular or special meeting of the Board of Directors by the vote of a majority thereof. However, Bylaws made by the Board of Directors may be repealed or changed and new Bylaws may be made by the stockholders and the stockholders may prescribe that any Bylaw made by them shall not be altered, amended or repealed by the directors.

## **ARTICLE VIII**

### **CORPORATE SEAL**

8.1 The President, any Vice President, the Secretary or any Assistant Secretary, or other officer thereunto designated by the Board of Directors, shall have the authority to affix the corporate seal to any document requiring such seal, and to attest the same. Such seal shall be substantially in the following form:

## **ARTICLE IX**

### **MISCELLANEOUS PROVISIONS**

9.1 Fiscal Year. The fiscal year of the Corporation shall be the calendar year.

9.2 Execution of Instruments. All agreements, indentures, mortgages, deeds, conveyances, transfers, certificates, declarations, receipts, discharges, releases, satisfactions, settlements, petitions, schedules, accounts, affidavits, bonds, undertakings, proxies and other instruments or documents may be signed, executed, acknowledged, verified, delivered or accepted in behalf of the Corporation by the Chairman of the Board, or the President, or any Vice President, or the Secretary. Any such instruments may also be executed, acknowledged, verified, delivered or accepted in behalf of the Corporation in such other manner and by such other officers as the Board of Directors may from time to time direct. The provisions of this Section 9.2 are supplementary to any other provision of these Bylaws.

9.3 Records. The Articles of Incorporation, the Bylaws and the proceedings of all meetings of the shareholders, the Board of Directors, standing committees of the Board, shall be recorded in appropriate minute books provided for the purpose. The minutes of each meeting shall be signed by the Secretary or other officer appointed to act as Secretary of the meeting.

## **ARTICLE X**

### **EMERGENCY BYLAWS**

10.1 Effect.

The provision of this Article X shall be effective during any emergency resulting from an attack on the United States or any nuclear or atomic disaster (hereinafter called an "Emergency").

10.2 Board of Directors.

During an emergency, the director or directors in attendance at the meeting shall constitute a quorum. A meeting of the Board of Directors may be called by any director or officer of the Corporation. Notice of any meeting during an emergency may be given only to such of the directors as it may be feasible to reach at the time and by such means as may be feasible at the time, including publication or radio. If no director is present, the three most senior officers of the Corporation, as hereinafter defined, present shall be deemed directors for the purpose of such meeting and shall have all of the authority of the Board of Directors. As used in this Article, officers shall take seniority as follows:

|                          |   |
|--------------------------|---|
| Executive Vice President | (if the Board of Directors has elected such an officer) |
| Senior Vice President    | (if the Board of Directors has elected such an officer) |
| First Vice President     | (if the Board of Directors has elected such an officer) |
| Vice President           | (if the Board of Directors has elected such an officer) |
| Treasurer                |   |
| Assistant Vice President | (if the Board of Directors has elected such an officer) |
| Assistant Treasurer      | (if the Board of Directors has elected such an officer) |

## Secretary

Within each officer class, officers shall take seniority on the basis of length of service in such office or, in the event of equality, length of service as an officer of the Corporation.

### 10.3 Executive Authority.

The Board of Directors shall provide lines of succession of executive authority which, until altered by the Board of Directors either before or during an emergency, shall be effective during an emergency.

### 10.4 Operations.

It shall be the duty of the senior officer present at each office of the Corporation during an emergency when communication with the President is impractical, and he is hereby authorized, to take such action as he shall think necessary or desirable to protect the assets of the Corporation and provide service to its customers.

### 10.5 Indemnity.

No officer, director or employee acting in accordance with this Article shall be liable except for willful misconduct.

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