

# OLD POINT FINANCIAL CORP

## FORM 10-K405

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

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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

For the fiscal year ended December 31, 1997

☐ 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 (I.R.S. Employer Identification No.)  
of incorporation or organization)

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

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

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

None

**Securities registered pursuant to Section 12(g) of the Exchange Act:**

**Common Stock (\$5.00 par value)**

(Title of class)

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

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

As of March 17, 1998 there were 2,566,172 shares of common stock outstanding and the aggregate market value of common stock of Old Point Financial Corporation held by nonaffiliates was approximately \$66,506,312 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 and York County, Virginia, and provides a full range of banking and related financial services, including checking, savings, certificates of deposit, and other depository services, commercial, industrial, residential real estate and consumer loan services, safekeeping services and trust and estate services.

As of December 31, 1997, the Company had assets of \$348.7 million, loans of \$221.7 million, deposits of \$287.1 million, and stockholders' equity of \$36.3 million. At year end, the Company and the Bank had a total of 221 employees, 42 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 and York County was approximately 394,000. 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 16,000 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 six 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. The following table sets forth a summary of changes in interest earned and paid attributable to changes in volume and changes in yields/rates.

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

For the years ended December 31, Dollars in thousands	1997			1996			1995		
	Average Balance	Interest Income/ Expense	Average Rates Earned/ Paid	Average Balance	Interest Income/ Expense	Average Rates Earned/ Paid	Average Balance	Interest Income/ Expense	Average Rates Earned/ Paid
<b>ASSETS</b>									
Loans	\$210,934	\$19,288	9.14%	\$192,940	\$17,681	9.16%	\$180,638	\$16,221	8.98%
Investment securities:									
Taxable	72,064	4,473	6.21%	78,734	4,736	6.02%	78,411	4,690	5.98%
Tax-exempt	24,129	1,954	8.10%	15,194	1,292	8.50%	8,173	759	9.29%
Total investment securities	96,193	6,427	6.68%	93,928	6,028	6.42%	86,584	5,449	6.29%
Federal funds sold	4,981	276	5.54%	3,981	208	5.22%	4,666	264	5.66%
Total earning assets	312,108	25,991	8.33%	290,849	23,917	8.22%	271,888	21,934	8.07%
Reserve for loan losses	(2,366)			(2,240)			(2,648)		
	-----			-----			-----		
	309,742			288,609			269,240		
Cash and due from banks	8,753			9,805			8,433		
Bank premises and equipment	10,036			9,724			8,125		
Other assets	3,624			4,874			5,376		
	-----			-----			-----		
Total assets	\$332,155			\$313,012			\$291,174		
	=====			=====			=====		
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>									
Time and savings deposits:									
Interest-bearing transaction accounts	\$24,376	\$537	2.20%	\$50,041	\$1,210	2.42%	\$49,335	\$1,303	2.64%
Money market deposit accounts	49,302	1,528	3.10%	21,212	789	3.72%	19,375	765	3.95%
Savings accounts	25,822	708	2.74%	26,354	722	2.74%	26,595	730	2.74%
Certificates of deposit, \$100,000 or more	19,122	1,135	5.94%	17,026	940	5.52%	13,789	760	5.51%
Other certificates of deposit	108,665	5,813	5.35%	103,029	5,642	5.48%	97,431	5,290	5.43%
	-----			-----			-----		
Total time and savings deposits	227,287	9,721	4.28%	217,662	9,303	4.27%	206,525	8,848	4.28%
Federal funds purchased and securities sold under agreement to repurchase	17,767	861	4.85%	14,688	706	4.81%	11,234	573	5.10%
Other short term borrowings	1,857	99	5.33%	1,599	84	5.25%	1,996	110	5.51%
	-----			-----			-----		
Total interest bearing liabilities	246,911	10,681	4.33%	233,949	10,093	4.31%	219,755	9,531	4.34%
Demand deposits	49,432			46,198			40,843		
Other liabilities	1,394			1,532			1,554		
	-----			-----			-----		
Total liabilities	297,737			281,679			262,152		
Stockholders' equity	34,418			31,333			29,022		
	-----			-----			-----		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$332,155			\$313,012			\$291,174		
	=====			=====			=====		
Net interest income/yield		\$15,310	4.91%		\$13,824	4.75%		\$12,403	4.56%
		=====			=====			=====	
Total deposits	\$276,719			\$263,860			\$247,368		
	=====			=====			=====		

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

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

TABLE II  
ANALYSIS OF CHANGE IN NET INTEREST INCOME \*

Dollars in Thousands	Year 1997 over 1996 Due to change in:			Year 1996 over 1995 Due to change in:			Year 1995 over 1994 Due to change in:		
	Average Volume	Average Rate	Net Increase (Decrease)	Average Volume	Average Rate	Net Increase (Decrease)	Average Volume	Average Rate	Net Increase (Decrease)
<b>INCOME FROM EARNING ASSETS</b>									
Loans	\$1,649	(\$42)	\$1,607	\$1,105	\$355	\$1,460	\$1,509	\$795	\$2,304
Investment Securities:									
Taxable	(401)	138	(263)	19	27	46	(437)	195	(242)
Tax-exempt	760	(98)	662	652	(119)	533	185	(54)	131
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Total investment securities	359	40	399	671	(92)	579	(252)	141	(111)
Federal funds sold	52	16	68	(39)	(17)	(56)	42	91	133
	-----	-----	-----	-----	-----	-----	-----	-----	-----
	2,060	14	2,074	1,737	246	1,983	1,299	1,027	2,326
<b>INTEREST EXPENSE</b>									
Interest bearing transaction accounts	(621)	(52)	(673)	19	(112)	(93)	(37)	13	(24)
Money market deposit accounts	1,045	(306)	739	73	(49)	24	(5)	157	152
Savings accounts	(15)	1	(14)	(7)	(1)	(8)	(95)	(1)	(96)
Certificate of deposits, \$100,000 or more	116	79	195	178	2	180	122	160	282
Other certificates of deposit	309	(138)	171	304	48	352	642	798	1,440
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Total time and savings deposits	834	(416)	418	567	(112)	455	627	1,127	1,754
Federal funds purchased and securities sold under agreement to repurchase	148	7	155	176	(43)	133	(114)	184	70
Other short-term borrowings	14	1	15	(22)	(4)	(26)	63	19	82
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Total expense for interest bearing liabilities	996	(408)	588	721	(159)	562	576	1,330	1,906
Change in Net Interest Income	\$1,064	\$422	\$1,486	\$1,016	\$405	\$1,421	\$723	(\$303)	\$420

\* 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, 1997.

TABLE III  
INTEREST SENSITIVITY ANALYSIS

As of December 31, 1997 Dollars in thousands	Within 3 Months	4-12 Months	1-5 Years	Over 5 Years	Total
Uses of funds					
Federal funds sold.....	\$ 6,977	\$ 0	\$ 0	\$ 0	\$ 6,977
Taxable investments.....	9,387	10,542	42,637	5,064	67,630
Tax-exempt investments.....	561	104	1,617	26,614	28,896
	-----	-----	-----	-----	-----
Total investments.....	16,925	10,646	44,254	31,678	103,503
Loans:					
Commercial.....	33,132	10,603	25,028	3,164	71,927
Tax-exempt.....	1,787	45	124	137	2,093
Installment.....	4,593	12,870	34,309	3,128	54,900
Real estate.....	20,206	20,715	36,590	14,639	92,150
Other.....	263	0	411	0	674
	-----	-----	-----	-----	-----
Total loans.....	59,981	44,233	96,462	21,068	221,744
	=====	=====	=====	=====	=====
Total earning assets.....	\$76,906	\$54,879	\$140,716	\$52,746	\$325,247
Sources of funds:					
Interest bearing transaction accounts.....	\$20,503	\$0	\$0	\$0	\$20,503
Money market deposit accounts..	53,606	0	0	0	53,606
Regular savings accounts.....	25,882	0	0	0	25,882
Certificates of deposit					
\$100,000 or more.....	8,568	8,502	6,876	0	23,946
Other time deposits.....	29,787	40,955	40,061	0	110,803
Federal funds purchased and securities sold under agreements to repurchase.....	20,165	0	0	0	20,165
Other borrowed money.....	4,000	0	25	0	4,025
	-----	-----	-----	-----	-----
Total interest bearing liabilities.....	\$162,511	\$49,457	\$46,962	\$0	\$258,930
Rate sensitivity GAP.....	(\$85,605)	\$5,422	\$93,754	\$52,746	\$66,317
Cumulative GAP.....	(\$85,605)	(\$80,183)	\$13,571	\$66,317	



The Company was liability sensitive as of December 31, 1997. There were \$85.6 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, 1997.

TABLE IV  
INVESTMENT SECURITY MATURITIES & YIELDS

Dollars in Thousands	U.S.Govt/Agency Book Value	Weighted Average Yield	State/Municipal Book Value	Weighted Average Yield	Total Book Value	Weighted Average Yield
December 31, 1997						
Maturities:						
Within 1 year	\$14,513	6.38%	\$ 660	9.92%	\$15,173	6.53%
After 1 year, but within 5 ye	42,656	6.26%	1,549	9.60%	44,205	6.38%
After 5 years, but within 10	4,957	6.77%	11,065	8.24%	16,022	7.79%
After 10 years	0	0.00%	14,569	7.91%	14,569	7.91%
	-----		-----		-----	
TOTAL	\$62,126	6.33%	\$27,843	8.18%	\$89,969	6.90%
December 31, 1996	\$69,528	6.06%	\$20,015	8.17%	\$89,541	6.53%
December 31, 1995	\$74,238	6.02%	\$12,270	8.66%	\$86,508	6.39%

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 \$5.48 million with a weighted average yield of 6.13%. These securities consist of an adjustable rate mortgage fund of \$4.4 million yielding 5.69%, Federal Home Loan Bank stock of \$945 thousand yielding 7.25%, Federal Reserve bank stock of \$85 thousand yielding 6.00% and other securities of \$50 thousand. The book value of other marketable securities with no stated maturity totalled \$5.44 million, yielding 5.89%; and \$5.31 million, yielding 6.03%; at December 31, 1996, and 1995 respectively.

### III. Loan Portfolio

The following table shows a breakdown of total loans by type at December 31 for years 1993 through 1997:

TABLE V  
LOANS

As of December 31, Dollars in thousands	1997	1996	1995	1994	1993
Commercial and other	\$ 45,059	\$ 28,944	\$ 20,636	\$ 17,806	\$ 16,836
Real Estate Construction	3,836	5,213	4,093	1,991	2,353
Real Estate Mortgage	104,141	104,230	109,469	105,703	96,185
Tax Exempt	2,093	2,464	3,003	4,754	5,585
Installment Loans to Individuals	66,615	57,733	52,154	43,487	29,322
	-----	-----	-----	-----	-----
Total	\$221,744	\$198,584	\$189,355	\$173,741	\$150,281

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, 1997 is presented below:

TABLE VI  
MATURITY SCHEDULE OF SELECTED LOANS

December 31, 1997 Dollars in thousands	One year or less	One through five years	Over five years	Total
Commercial and other	\$14,157	\$28,565	\$2,337	\$45,059
Real estate construction	3,616	220	0	3,836
	-----	-----	-----	-----
Total	\$17,773	\$28,785	\$2,337	\$48,895
Loans maturing after one year with:				
Fixed interest rate		\$24,377	\$1,533	\$25,910
Variable interest rate		\$ 4,408	\$ 804	\$ 5,212

The following table presents information concerning the aggregate amount of nonaccrual, past due and restructured loans as of December 31 for the years 1993 through 1997.

TABLE VII  
NONACCRUAL, PAST DUE AND RESTRUCTURED LOANS

As of December 31, Dollars in thousands	1997	1996	1995	1994	1993
Nonaccrual loans	\$660	\$1,550	\$2,447	\$2,955	\$5,328
Accruing loans past due 90 days or more	455	1,342	248	837	458
Restructured loans	none	none	none	none	none
Interest income which would have been recorded under original loan terms	205	163	350	470	570
Interest income recorded during the period	485	222	131	188	239

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, 1997 such problem loans, not included in Table VII, amounted to approximately \$2.5 million. The potential problem loans included two relationships in excess of \$500 thousand. The potential problem loans are generally secured by residential and commercial real estate with appraised values exceeding the principal balance of the loan.

#### IV. Summary of Loan Loss Experience

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

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

The following table shows an analysis of the Allowance for Loan Losses for the years 1993 through 1997.

TABLE VIII  
ANALYSIS OF THE ALLOWANCE FOR LOAN LOSSES

For the year ended December 31, Dollars in thousands	1997	1996	1995	1994	1993
Balance at beginning of period	\$ 2,330	\$ 2,251	\$ 2,647	\$ 2,692	\$ 3,719
Charge Offs:					
Commercial, financial and agricultural	84	98	1,210	147	1,178
Real estate construction	0	0	0	0	0
Real estate mortgage	67	2	135	316	230
Installment Loans to individuals	717	825	375	148	179
	----	----	----	----	----
Total charge offs	868	925	1,720	611	1,587
Recoveries:					
Commercial, financial and agricultural	239	87	296	431	174
Real estate construction	0	0	0	0	0
Real estate mortgage	1	14	44	19	7
Installment Loans to individuals	369	303	159	91	129
	----	----	----	----	----
Total recoveries	609	404	499	541	310
Net charge offs	259	521	1,221	70	1,277
Additions charged to operations	600	600	825	25	250
	----	----	----	----	----
Balance at end of period	\$ 2,671	\$ 2,330	\$ 2,251	\$ 2,647	\$ 2,692
Selected loan loss statistics					
Loans (net of unearned income):					
End of period	\$221,744	\$198,584	\$189,355	\$173,741	\$150,282
Daily average	\$210,934	\$192,940	\$180,638	\$160,204	\$155,551
Net charge offs to average total loans	0.12%	0.27%	0.68%	0.04%	0.82%
Provision for loan losses to average	0.28%	0.31%	0.46%	0.02%	0.16%
Provision for loan losses to net charge offs	231.66%	115.16%	67.57%	35.71%	19.58%
Allowance for loan losses to period	1.20%	1.17%	1.19%	1.51%	1.79%
Earnings to loan loss coverage*	23.67	10.28	3.25	56.21	2.45

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

The following table shows the amount of the Allowance for Loan Losses allocated to each category at December 31 for the years 1993 through 1997.

TABLE IX  
ALLOCATION OF THE ALLOWANCE FOR LOAN LOSSES

As of December 31,	1997		1996		1995		1994		1993	
	Amount	Percent of loans in Each Category to Total Loans	Amount	Percent of loans in Each Category to Total Loans	Amount	Percent of loans in Each Category to Total Loans	Amount	Percent of loans in Each Category to Total Loans	Amount	Percent of loans in Each Category to Total Loans
Commercial and other	\$575	21.26%	\$835	15.85%	\$843	12.57%	\$1,246	12.98%	\$1,417	28.96%
Real Estate Construction	14	1.73%	23	2.62%	18	2.18%	8	1.15%	20	1.52%
Real Estate Mortgage	240	46.96%	322	52.49%	370	58.21%	417	60.84%	739	49.81%
Consumer	412	30.04%	391	29.04%	247	27.04%	163	25.03%	135	19.71%
Unallocated	1,430	0	759	0	773	0	813	0	381	0
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Total	\$2,671	100.00%	\$2,330	100.00%	\$2,251	100.00%	\$2,647	100.00%	\$2,692	100.00%

## V. Deposits

The following table shows the average balances and average rates paid on deposits for the years ended December 31, 1995, 1996, and 1997.

TABLE X  
DEPOSITS

For the year ended December 31,	1997		1996		1995	
Dollars in thousands	Average Balance	Average Rate	Average Balance	Average Rate	Average Balance	Average Rate
Interest bearing transaction accounts	\$ 24,376	2.20%	\$ 50,041	2.42%	\$ 49,335	2.64%
Money market deposit accounts	49,302	3.10%	21,212	3.72%	19,375	3.95%
Savings accounts	25,822	2.74%	26,354	2.74%	26,595	2.74%
Certificate of deposit, \$100,000 or more	19,122	5.94%	17,026	5.52%	13,789	5.51%
Other certificate of deposit	108,665	5.35%	103,029	5.48%	97,431	5.43%
	-----	-----	-----	-----	-----	-----
Total interest bearing deposits	227,287	4.28%	217,662	4.27%	206,525	4.28%
Non-interest bearing demand deposits	49,432		46,198		40,843	
	-----		-----		-----	
Total deposits	\$276,719		\$263,860		\$247,368	

The following table shows certificates of deposit in amounts of \$100,000 or more as of December 31, 1997, 1996, and 1995 by time remaining until maturity.

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

Dollars in thousands Maturing in	1997	1996	1995
3 months or less	\$ 5,549	\$ 3,089	\$ 3,392
3 through 6 months	3,087	3,550	3,779
6 through 12 months	5,843	3,774	5,436
over 12 months	9,467	7,013	2,629
	----	----	----
Total	\$23,946	\$17,426	\$15,236

## 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.

	1997	1996	1995
Return on average assets	1.23%	1.10%	0.80%
Return on average equity	11.88%	10.99%	8.07%
Dividend payout ratio	25.68%	25.88%	33.17%
Average equity to average assets	10.36%	10.01%	9.97%

## 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 1997, 1996, and 1995 are presented in the following table.

TABLE XII  
SHORT TERM BORROWINGS

Dollars in thousands	1997		1996		1995	
	Balance	Rate	Balance	Rate	Balance	Rate
Balance at December 31,						
Federal funds purchased	\$ 0		\$ 2,000	6.28%	\$ 1,400	5.63%
Securities sold under						
agreement to repurchase	20,165	4.81%	15,135	4.58%	14,336	4.33%
U. S. treasury demand notes						
and other borrowed money	4,025	5.27%	2,301	5.03%	560	5.51%
	----		----		----	
Total	\$24,190		\$19,436		\$16,296	
Average daily balance outstanding:						
Federal funds purchased	\$ 271	5.54%	\$ 575	5.23%	\$ 96	6.03%
Securities sold under						
agreement to repurchase	17,496	4.84%	14,413	4.76%	11,438	5.01%
U. S. treasury demand notes						
and other borrowed money	1,857	5.33%	1,599	5.23%	1,996	5.46%
	----		----		----	
Total	\$19,624	5.00%	\$16,587	4.85%	\$13,530	5.09%
The maximum amount outstanding						
at any month end:						
Federal funds purchased	\$ 0		\$ 2,700		\$ 1,400	
Securities sold under						
agreement to repurchase	\$ 23,121		\$16,046		\$14,636	
U. S. treasury demand notes						
and other borrowed money	\$ 4,033		\$ 4,052		\$ 4,066	

**Item 2. Description of Property**

The Bank owns the Main Office, two office buildings, and seven 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 three branches are leased from unrelated parties under leases with renewal options which expire anywhere from 10-20 years. During 1996 the Company acquired land in the Oyster Point area of Newport News and is building a 15,000 square foot office building. When completed in mid 1998 the new facility will house the Bank's commercial and real estate lending offices and Trust and Financial Services. The Company has signed a contract to purchase a branch site in Norge VA. The Company expects to build a branch of approximately 2,500 square feet.

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, 1997.

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

The common stock of Old Point Financial Corporation has not been listed on an exchange and was not quoted by NASDAQ. The approximate number of shareholders of record as of December 31, 1997 was 1,510. The range of high and low prices and dividends per share of the Company's common stock for each quarter during 1997 and 1996 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.

Approval for quotation on the OTC Bulletin Board has been received by the National Association of Security Dealers, Inc. (NASD), and beginning in 1998 Old Point Financial Corporations' stock will be quoted under the symbol "OPOF".

**Item 6. Selected Financial Data**

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



TABLE XIII  
SELECTED FINANCIAL HIGHLIGHTS

Years Ended December 31,	1997	1996	1995	1994	1993
	(Dollars in thousands except per share data)				
RESULTS OF OPERATIONS					
Interest income.....	\$25,242	\$23,377	\$21,534	\$19,234	\$19,105
Interest expense.....	10,681	10,093	9,531	7,625	7,743
	-----	-----	-----	-----	-----
Net interest income.....	14,561	13,284	12,003	11,609	11,362
Provision for loan loss.....	600	600	825	25	250
	-----	-----	-----	-----	-----
Net interest income after provision for loan loss.....	13,961	12,684	11,178	11,584	11,112
Gains (losses) on sales of investment securities.....	(1)	2	9	407	19
Noninterest income.....	4,275	4,134	3,836	3,755	4,003
Noninterest expenses.....	12,704	12,066	11,884	11,837	12,252
	-----	-----	-----	-----	-----
Income before taxes.....	5,531	4,754	3,139	3,909	2,882
Income taxes .....	1,441	1,309	797	1,136	667
	-----	-----	-----	-----	-----
Net income.....	\$4,090	\$3,445	\$2,342	\$2,773	\$2,215
	=====	=====	=====	=====	=====
FINANCIAL CONDITION					
Total assets.....	\$348,671	\$316,345	\$304,266	\$277,680	\$273,884
Total deposits.....	287,100	263,519	256,535	235,599	234,171
Total loans.....	221,744	198,584	189,355	174,881	150,776
Stockholders' equity.....	36,332	32,400	30,328	26,222	25,836
Average assets.....	332,155	313,012	291,174	278,398	270,685
Average equity.....	34,418	31,333	29,022	26,694	24,897
PERTINENT RATIOS					
Return on average assets.....	1.23%	1.10%	0.80%	1.00%	0.82%
Return on average equity.....	11.88%	10.99%	8.07%	10.39%	8.90%
Dividends paid as a percent of net income.....	25.68%	25.88%	33.17%	25.03%	28.17%
Average equity as a percent of average assets.....	10.36%	10.01%	9.97%	9.59%	9.20%
PER SHARE DATA					
Basic EPS.....	\$1.60	\$1.35	\$0.92	\$1.10	\$0.89
Cash dividends declared.....	0.41	0.35	0.305	0.275	0.25
Book value.....	14.16	12.72	11.91	10.37	10.30
GROWTH RATES					
Year end assets.....	10.22%	3.97%	9.57%	3.33%	1.92%
Year end deposits.....	8.95%	2.72%	8.89%	1.77%	1.15%
Year end loans.....	11.66%	4.87%	8.28%	8.08%	-6.82%
Year end equity.....	12.14%	6.83%	15.66%	8.39%	6.79%
Average assets.....	6.12%	7.50%	4.59%	3.53%	0.66%
Average equity.....	9.85%	7.96%	8.72%	11.90%	4.36%
Net income.....	18.72%	47.10%	-15.54%	59.55%	27.45%
Cash dividends declared.....	17.14%	14.75%	10.91%	37.50%	25.00%
Book value.....	11.30%	6.83%	14.78%	6.54%	5.78%

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

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

### **EARNINGS SUMMARY**

Net income was \$4.09 million, or \$1.60 per share in 1997 compared to \$3.45 million, or \$1.35 per share in 1996 and \$2.34 million, or \$0.92 per share in 1995. Return on average assets was 1.23% in 1997, 1.10% in 1996 and 0.80% in 1995. Return on average equity was 11.88% in 1997, 10.99% in 1996 and 8.07% in 1995. For the past five years return on average assets has averaged 0.99% and return on average equity has averaged 10.05%. 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 \$15.30 million in 1997, up \$1.48 million, or 11% from \$13.82 million in 1996 which was up \$1.42 million, or 11% from \$12.40 million in 1995. 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 increased to 4.91% in 1997 from 4.75% in 1996 which was up from 4.56% in 1995.

Tax equivalent interest income increased \$2.07 million, or 9%, in 1997. Average earning assets grew \$21.26 million, or 7%. Total average loans increased \$17.99 million, or 9%, while average investment securities increased \$2.27 million, or 2%. Interest income increased in 1997 by eleven basis points primarily due to the collection of interest on nonaccrual loans.

Interest expense increased \$588 thousand, or 6%, in 1997. Interest bearing liabilities also increased 6% in 1997. The cost of funding liabilities increased two basis points due to the higher cost of federal funds purchased and securities sold under agreements to repurchase and payments on interest bearing deposit accounts.

### **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. There was no change in the provision, remaining at \$600 thousand in 1997 and 1996 which was down from \$825 thousand in 1995.

Loans charged off during 1997 totalled \$868 thousand compared to \$925 thousand in 1996 and \$1.72 million in 1995, while recoveries amounted to \$609 thousand in 1997, \$404 thousand in 1996 and \$499 thousand in 1995. During 1996 a large portion of the charge offs were in the installment loans to individuals portfolio which is comprised of loans to individuals for personal expenditures such as household furniture and appliances and automobiles. The portfolio includes indirect dealer loans which accounted for \$35 million of \$58 million in 1996 and \$34 million of \$67 million in 1997. During 1996 the Company experienced a significant increase in personal bankruptcies leading to higher charge offs of indirect dealer loans. Since the beginning of 1996 the underwriting standards for dealer loans has been raised thus reducing indirect dealer loans charged off by \$186 thousand or 44% in 1997 from 1996.

The Company's net loans charged off to year-end loans were 0.12% in 1997, 0.26% in 1996, and 0.64% in 1995. The allowance for loan losses, as a percentage of year-end loans, was 1.20% in 1997, 1.17% in 1996, and 1.19% in 1995.

As of December 31, 1997, nonperforming assets were \$1.43 million, down from \$1.90 million at year-end 1996 which was down from \$3.40 million at year-end 1995. Nonperforming assets consist of loans in nonaccrual status and other real estate. The 1997 total consisted of other real estate of \$774 thousand and \$660 thousand in nonaccrual loans. The other real estate consisted of \$354 thousand in a commercial property originally acquired as a potential branch site and now held for sale and \$420 thousand in foreclosed real estate. Nonaccrual loans consisted of \$47 thousand in commercial loans and \$613 thousand 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 \$455 thousand as of December 31, 1997 compared to \$1.34 million as of December 31, 1996, but increased from \$248 thousand as of December 31, 1995.

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

#### **OTHER INCOME**

Other income increased \$138 thousand, or 3% in 1997 from 1996 compared to an increase of \$291 thousand, or 8% in 1996 from 1995. The 1997 increase was due to higher Trust Services fees and other service charge income. The 1996 increase was due primarily to Trust Services fees and mortgage brokerage income.

#### **OTHER EXPENSES**

Other expenses increased \$638 thousand or 5% in 1997 over 1996 after increasing 2% in 1996 from 1995. Salaries and employee benefits increased \$264 or 4% in 1997 due to normal salary increases and higher medical insurance costs. Occupancy expense increased \$78 thousand, or 10% in 1997 primarily due to higher maintenance costs associated with repairs and remodeling of bank buildings. Equipment expense increased \$65 thousand or 6% due to higher depreciation expense on new computer systems and related service contracts. Other operating expenses increased \$231 thousand or 8%. Legal fees, postage and freight, advertising, and marketing were the major factors for the increase in other operating expenses. The increase in legal fees is due higher litigation fees. The increase in advertising and marketing is related to generating loan and deposit growth. The increase in postage and freight is due to higher postage rates and increased mailings.

#### **ASSETS**

At December 31, 1997, the Company had total assets of \$348.7 million, up 10% from \$316.3 million at December 31, 1996. Average assets in 1997 were \$332.2 million compared to \$313.0 million in 1996. The growth in assets in 1997 was due to the increase in average loans, which were up 9%.

During 1996 the Company acquired land in the Oyster Point area of Newport News to build a 15,000 square foot office building. When completed in mid 1998 the new facility will house the Bank's commercial and real estate lending offices and Trust and Financial Services. The Company has signed a contract to purchase a branch site in Norge, VA. The Company plans to build a new branch of approximately 2,500 square feet. The branch will provide full service banking including consumer and business services.

## LOANS

The Company experienced excellent loan demand in 1997. Total loans as of December 31, 1997 were \$221.7 million, up 12% from \$198.6 million at December 31, 1996. All categories of loans increased during 1997 except tax exempt loans and real estate mortgages. Footnote 3 of the financial statements details the loan volume by category for the past two years.

## INVESTMENT SECURITIES

At December 31, 1997 total investment securities were \$96.5 million, up 1% from \$95.1 million on December 31, 1996. 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. Footnote 2 of the financial statements details the composition of the investment portfolio for the past two years.

## DEPOSITS

At December 31, 1997, total deposits amounted to \$287.1 million, up 9% from \$263.5 million on December 31, 1996. Non-interest bearing deposits increased \$4.8 million, or 10%, in 1997 over 1996. Savings deposits increased \$3.8 million, or 4%, in 1997 over 1996. Certificates of deposit increased \$15.0 million or 12% in 1997 over 1996.

## STOCKHOLDERS' EQUITY

Total stockholders' equity as of December 31, 1997 was \$36.3 million, up 12% from \$32.4 million on December 31, 1996. The Company is required to maintain minimum amounts of capital under banking regulations. Under the regulations, Total Capital is composed of core capital (Tier 1) and supplemental capital (Tier 2). Tier 1 capital consists of common stockholders' equity less goodwill. Tier 2 capital consists of certain qualifying debt and a qualifying portion of the allowance for loan losses. The following is a summary of the Company's capital ratios for 1997, 1996 and 1995.

	1997 Regulatory Requirements	1997	1996	1995
Tier 1	4.00%	15.06%	15.63%	15.47%
Total Capital	8.00%	16.19%	16.76%	16.47%
Tier 1 Leverage	3.00%	10.32%	10.21%	9.80%

Year-end book value was \$14.16 in 1997 and \$12.72 in 1996. Cash dividends were \$1.0 million, or \$.41 per share in 1997 and \$891 thousand, or \$.35 per share in 1996. The common stock of the Company has not been extensively traded. The stock has not been listed on an exchange and was not quoted by NASDAQ. Bid and ask prices have not been available for the Company. The volume of trading of the stock has therefore been limited. The prices below are based upon a limited number of transactions known to Management during the past two years.

The stock has been approved by the National Association of Security Dealers, Inc. (NASD) for quotation on the OTC Bulletin Board. Beginning in 1998, Old Point Financial Corporation's stock will be quoted under the symbol "OPOF".

There were 1,510 stockholders of the Company as of December 31, 1997. 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 1997 and 1996.

		1997			1996	
		Market	Value		Market	Value
	Dividend	High	Low	Dividend	High	Low
1st Quarter	\$ 0.10	\$20.75	\$20.75	\$ 0.08	\$18.75	\$18.75
2nd Quarter	\$ 0.10	\$21.00	\$20.75	\$ 0.08	\$18.75	\$18.75
3rd Quarter	\$ 0.10	\$21.25	\$20.75	\$ 0.09	\$18.75	\$18.75
4th Quarter	\$ 0.11	\$25.00	\$21.00	\$ 0.10	\$20.75	\$18.75

## LIQUIDITY

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

## EFFECTS OF INFLATION

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

## YEAR 2000

The "Year 2000" problem relates to the fact that many computer programs use two digits to define a year and assume that the century is 1900. Therefore, these programs will not recognize the turn of the century. For example, the year 1998 is defined as "98" and the year 2003 is defined as "03". Because the assumed century is 1900 computers recognize the year 2003, defined as "03", as 1903. The Company is aware of the Year 2000 problem and is taking action to ensure that all of its computer hardware and software will be Year 2000 compliant. The Company has a five-step plan to identify, correct, upgrade and test all of its hardware and software by the end of 1998. A Year 2000 project team has been assembled which meets on a monthly basis to monitor progress and address any new issues that might arise.

The Company has identified and cataloged all of its hardware and software. Software and hardware that is not Year 2000 compliant is being identified and plans are being developed to upgrade and/or replace hardware and software that is not Year 2000 compliant. Additionally, the Company's vendors and major customers are being contacted to determine their Year 2000 efforts so that the Company can plan accordingly.

Operating and capital budgets incorporate projected expenditures necessary to ensure that all systems are Year 2000 compliant. At this time management does not believe that related expenditures will have an adverse material effect on the Company.

## 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, 1997 and 1996, 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, 1997. 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, 1997 and 1996, and the consolidated results of their operations and cash flows for each of the years in the three-year period ended December 31, 1997, in conformity with generally accepted accounting principles.

**Eggleston Smith P.C.**

January 16, 1998  
Newport News, Virginia

CONSOLIDATED BALANCE SHEETS

December 31,	1997	1996
	(Dollars in Thousands)	
<hr/>		
ASSETS		
Cash and due from banks	\$ 12,208	\$ 10,988
Investments:		
Securities available-for-sale, at market	67,546	70,089
Securities to be held-to-maturity		
(Market value \$29,096 in 1997 and \$24,820 in 1996)	28,980	24,967
Federal funds sold	6,977	561
Loans, total	221,744	198,584
Less - allowance for loan losses	2,671	2,330
	-----	-----
Net loans	219,073	196,254
Premises and equipment	9,742	9,403
Other real estate owned	774	354
Other assets	3,371	3,729
	-----	-----
Total assets	\$348,671	\$316,345
	=====	=====
LIABILITIES		
Non interest-bearing deposits	\$52,360	\$47,534
Savings deposits	99,991	96,196
Certificates of deposit	134,749	119,789
	-----	-----
Total deposits	287,100	263,519
Federal funds purchased and securities sold under repurchase agreements	20,165	17,135
Interest bearing demand notes issued to the United States Treasury and other liabilities for borrowed money	4,025	2,301
Other liabilities	1,049	990
	-----	-----
Total Liabilities	312,339	283,945
STOCKHOLDERS' EQUITY		
Common stock, \$5 par value, 6,000,000 shares authorized		
Issued 2,566,172 in 1997 and 1,273,546 in 1996	12,831	6,368
Capital surplus	9,693	9,345
Retained earnings	13,098	16,639
Unrealized gain on securities	710	48
	-----	-----
Total stockholders' equity	36,332	32,400
	-----	-----
Total liabilities and stockholders' equity	\$348,671	\$316,345
	=====	=====
See Notes to Consolidated Financial Statements		

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF INCOME

Years Ended December 31,	1997	1996	1995
	(Dollars in Thousands except per share amounts)		
INTEREST INCOME			
Interest and fees on loans	\$19,203	\$17,580	\$16,079
Interest on investment securities			
Taxable	4,473	4,736	4,690
Exempt from income tax	1,290	853	501
	-----	-----	-----
	5,763	5,589	5,191
Interest on trading account securities	---	---	---
Interest on federal funds sold	276	208	264
	-----	-----	-----
Total interest income	25,242	23,377	21,534
INTEREST EXPENSE			
Interest on savings deposits	2,773	2,721	2,797
Interest on certificates of deposit	6,948	6,582	6,051
Interest on federal funds purchased and securities sold under repurchase agreements	861	706	573
Interest on demand notes issued to the United States Treasury and other liabilities for borrowed money	99	84	110
	-----	-----	-----
Total interest expense	10,681	10,093	9,531
	-----	-----	-----
Net interest income	14,561	13,284	12,003
Provision for loan losses	600	600	825
	-----	-----	-----
Net interest income after provision for loan losses	13,961	12,684	11,178
OTHER INCOME			
Income from fiduciary activities	1,750	1,667	1,441
Service charges on deposit accounts	1,723	1,887	1,893
Other service charges, commissions and fees	573	360	280
Security gains (losses), net	(1)	2	9
Income from trading account	---	---	---
Other operating income	229	220	222
	-----	-----	-----
Total other income	4,274	4,136	3,845
OTHER EXPENSE			
Salaries and employee benefits	7,670	7,406	7,178
Occupancy expense	846	768	714
Equipment expense	1,094	1,029	959
Other operating expense	3,094	2,863	3,033
	-----	-----	-----
Total other expenses	12,704	12,066	11,884
	-----	-----	-----
Income before income taxes	5,531	4,754	3,139
Income taxes	1,441	1,309	797
	-----	-----	-----
Net income	\$4,090	\$3,445	\$2,342
	=====	=====	=====
Basic Earnings per Share			
Average shares outstanding (in thousands)	2,561	2,547	2,544
Net income per share of common stock	\$1.60	\$1.35	\$0.92
Diluted Earnings per Share			
Average shares outstanding (in thousands)	2,575	2,563	2,553
Net income per share of common stock	\$1.59	\$1.34	\$0.92

See Notes to Consolidated Financial Statements



Consolidated Statements of Cash Flows

Years Ended December 31,	1997	1996	1995
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income.....	\$ 4,090	\$ 3,445	\$ 2,342
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization.....	941	883	768
Provision for loan losses.....	600	600	825
Gains on sale of investment securities, net.....	1	(2)	(9)
Net amortization & accretion of securities.....	368	679	1,078
Net (increase) decrease in trading account.....	0	0	0
Loss on sale of equipment.....	0	110	0
Increase in other real estate owned.....	(613)	152	(553)
(Increase) decrease in other assets (net of tax effect of FASB 115 adjustment).....	16	357	(8)
Increase (decrease) in other liabilities.....	59	(117)	104
	-----	-----	-----
Net cash provided by operating activities.....	5,462	6,107	4,547
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of investment securities .....	(31,001)	(30,015)	(31,772)
Proceeds from maturities & calls of securities .....	23,949	24,171	25,315
Proceeds from sales of available - for - sale securities ...	6,218	2,003	0
Proceeds from sales of held - to - maturity securities	0	0	0
Loans made to customers.....	(123,513)	(105,807)	(104,681)
Principal payments received on loans.....	100,094	96,057	88,985
Purchases of premises and equipment.....	(1,304)	(2,113)	(1,991)
Proceeds from sales of premises and equipment.....	23	20	0
Proceeds from sales of other real estate owned.....	193	448	167
(Increase) decrease in federal funds sold.....	(6,416)	(48)	(266)
	-----	-----	-----
Net cash provided by (used in) investing activities.....	(31,757)	(15,284)	(24,243)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase (decrease) in non-interest bearing deposits.....	4,826	4,632	5,816
Increase (decrease) in savings deposits.....	3,794	391	(1,181)
Proceeds from the sale of certificates of deposit.....	59,771	43,478	66,693
Payments for maturing certificates of deposit.....	(44,810)	(41,517)	(50,392)
Increase (decrease) in federal funds purchased & repurchase agreements.....	3,030	1,399	2,042
Increase (decrease) in interest bearing demand notes and other borrowed money.....	1,724	1,741	(602)
Proceeds from issuance of common stock.....	230	0	88
Dividends paid.....	(1,050)	(891)	(777)
	-----	-----	-----
Net cash provided by financing activities.....	27,515	9,233	21,687
Net increase (decrease) in cash and due from banks.....	1,220	56	1,991
Cash and due from banks at beginning of period.....	10,988	10,932	8,941
	-----	-----	-----
Cash and due from banks at end of period.....	\$12,208	\$10,988	\$10,932
	=====	=====	=====
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>			
Cash payments for:			
Interest.....	\$10,587	\$10,126	\$9,286
Income taxes.....	1,475	1,275	830
<b>SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING TRANSACTIONS</b>			
Unrealized gain (loss) on investment securities, net of tax.....	\$662	(\$482)	\$2,453
Transfer of property from premises and equipment to other real estate owned.....	\$0	\$0	\$354
See Notes to Consolidated Financial Statements.			

## CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

	Common Stock (Par Value)	Capital Surplus	Retained Earnings (Dollars in Thousands)	Unrealized Gains(Loss) on Investment Securities	Total Stockholders' Equity
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 on investment securities	---	---	---	2,453	2,453
Cash dividends paid	---	---	(777)	---	(777)
Balance, end of year	\$ 6,368	\$ 9,345	\$14,085	\$ 530	\$30,328
YEAR ENDED DECEMBER 31, 1996					
Balance, beginning of year	\$ 6,368	\$ 9,345	\$14,085	\$ 530	\$30,328
Net income	---	---	3,445	---	3,445
Sale of stock	---	---	---	---	---
Decrease in unrealized gain on investment securities	---	---	---	(482)	(482)
Cash dividends paid	---	---	(891)	---	(891)
Balance, end of year	\$ 6,368	\$ 9,345	\$16,639	\$ 48	\$32,400
YEAR ENDED DECEMBER 31, 1997					
Balance, beginning of year	\$ 6,368	\$ 9,345	\$16,639	\$ 48	\$32,400
Net income	---	---	4,090	---	4,090
Sale of stock	48	348	(166)	---	230
Stock dividend declared on common stock	6,415	---	(6,415)	---	---
Increase in unrealized gain on investment securities	---	---	---	662	662
Cash dividends paid	---	---	(1,050)	---	(1,050)
Balance, end of year	\$12,831	\$ 9,693	\$13,098	\$ 710	\$36,332

See Notes to Consolidated Financial Statements

## NOTE 2, Investment Securities

At December 31, 1997, 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, 1997 and 1996, were:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Market Value
	(Dollars in Thousands)			
Obligations of other United States Government Agencies as of December 31, 1997	\$28,980	\$128	(\$12)	\$29,096
	=====	=====	=====	=====
Obligations of other United States Government Agencies as of December 31, 1996	\$24,967	\$ 23	(\$170)	\$24,820
	=====	=====	=====	=====

The amortized cost and fair values of investment securities available-for-sale at December 31, 1997 were:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Market Value
	(Dollars in Thousands)			
United States Treasury securities	\$22,189	\$93	(\$63)	\$22,219
Obligations of other United States Government agencies	10,957	121	(28)	11,050
Obligations of state and political subdivisions	27,844	1,052	---	28,896
Adjustable Rate Mortgage Fund	4,400		(99)	4,301
Federal Home Loan Bank Stock	945	---	---	945
Federal Reserve Bank stock	85	---	---	85
Other marketable equity securities	50	---	---	50
Total	\$66,470	\$1,266	(\$190)	\$67,546
	=====	=====	=====	=====

The amortized cost and fair values of investment securities available-for-sale at December 31, 1996 were:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Market Value
	(Dollars in Thousands)			
United States Treasury Securities	\$36,562	\$253	(\$240)	\$36,575
Obligations of other United States Government agencies	7,998	16	(134)	7,880
Obligations of State and Political subdivisions	20,012	320	(38)	20,294
Adjustable Rate Mortgage Fund	4,400		(103)	4,297
Federal Home Loan Bank Stock	908	---	---	908
Federal Reserve Bank stock	85	---	---	85
Other marketable equity Securities	50	---	---	50
Total	\$70,015	\$589	(\$515)	\$70,089
	=====	=====	=====	=====

## NOTE 2, Investment Securities (Continued)

Investment securities carried at \$36.4 million and \$32.2 million at December 31, 1997 and 1996, 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, 1997 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, 1997				
	Available-For-Sale		Held-To-Maturity	
	Amortized Cost (Dollars in Thousands)	Market Value	Amortized Cost	Market Value
Due in one year or less	\$14,615	\$14,653	\$ 0	\$ 0
Due after one year through five years	15,999	16,028	27,980	28,082
Due after five years through ten years	15,528	16,108	1,000	1,014
Due after ten years	14,848	15,376	---	---
	-----	-----	-----	-----
Total debt securities	60,990	62,165	28,980	29,096
Other securities without stated maturities	5,480	5,381	---	---
	-----	-----	-----	-----
Total investment securities	\$66,470	\$67,546	\$28,980	\$29,096
	=====	=====	=====	=====

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

	1997	1996	1995
Proceeds from sales and maturities of investments	\$30,167	\$26,174	\$25,315
	=====	=====	=====
Realized gains	\$ 3	\$ 2	\$ 9
Realized losses	4	---	---
	-----	-----	-----
Net gains (losses)	(\$1)	\$ 2	\$ 9
	=====	=====	=====

### NOTE 3, Loans

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

	1997	1996
	(Dollars in Thousands)	
Commercial and other	\$45,059	\$28,944
Real estate - construction	3,836	5,213
Real estate - mortgage	104,141	104,230
Installment loans to individuals	66,615	57,733
Tax exempt loans	2,093	2,464
	-----	-----
Total	\$221,744	\$198,584
	=====	=====

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

	1997	1996
	(Dollars in Thousands)	
Contractually past due loans past due 90 days or more and still accruing interest	\$455	\$1,342
	=====	=====
Loans which are in non-accrual status	\$660	\$1,550
	=====	=====

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 \$1.9 million and \$2.0 million at December 31, 1997 and 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, 1997.

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

### NOTE 4, Allowance for Loan Losses

Changes in the allowance for loan losses are as follows:

	1997	1996	1995
	(Dollars in Thousands)		
Balance, beginning of year	\$2,330	\$2,251	\$2,647
Recoveries	609	404	499
Provision for loan losses	600	600	825
Loans charged off	(868)	(925)	(1,720)
	-----	-----	-----
Balance, end of year	\$2,671	\$2,330	\$2,251
	=====	=====	=====

## NOTE 5, Premises and Equipment

At December 31, premises and equipment consisted of:

	1997	1996
Land	\$2,133	2,133
Buildings	7,806	7,110
Leasehold improvements	855	855
Furniture, fixtures and equipment	9,051	8,475
	-----	-----
Total cost	19,845	18,573
Less accumulated depreciation and amortization	10,103	9,170
	-----	-----
Net book value	\$9,742	\$9,403
	=====	=====

## NOTE 6, Other Real Estate Owned

Other real estate consisted of the following at December 31:

	1997	1996
Foreclosed real estate	\$420	\$0
Property held for sale	354	354
	-----	-----
Total	\$774	\$354
	=====	=====

## NOTE 7, Indebtedness

The Bank's short-term borrowings include federal funds purchased, securities sold under repurchase agreements (including \$4.0 million to directors in 1997 and \$2.5 million in 1996) and United States Treasury Demand Notes. The federal funds purchased and securities sold under repurchase agreements are held under various maturities and interest rates. The United States Treasury Demand Notes are subject to call by the United States Treasury with interest paid monthly at the rate of 25 basis points (1/4%) below the federal funds rate.

## NOTE 8, Stock Option Plan

The Company has stock option plans which reserves 84,534 shares of common stock for grants to key employees. The exercise price of each option equals the market price of the Company's common stock on the date of the grant and an option's maximum term is ten years. A summary of the exercisable incentive stock options is presented below:

	Outstanding Beginning of Year	Granted During the Year	Exercised During the Year	Expired During the Year	Outstanding At End of Year
1995					
Shares	91,010	5,404	(30,440)	(1,500)	64,474
Weighted average exercisable price	\$14.10	\$18.50	\$9.77	\$18.13	\$16.41
1996					
Shares	64,474	28,772	(500)	(400)	92,346
Weighted average exercisable price	\$16.41	\$18.75	\$18.13	\$18.13	\$17.13
1997					
Shares	92,346	25,754	(22,280)	(11,286)	84,534
Weighted average exercisable price	\$17.13	\$20.75	\$13.12	\$18.60	\$19.09

At December 31, 1997, exercise prices on outstanding options ranged from \$18.13 to \$20.75 per share and the weighted average remaining contractual life was 8 years.

NOTE 8, Stock Option Plan (Continued)

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

	1997	1996	1995
Pro-forma net income			
(in thousands)	\$4,041	\$3,401	\$2,313
	=====	=====	=====
Pro-forma earnings per share	\$1.57	\$1.33	\$0.91
	=====	=====	=====

Pro-forma amounts were computed using a 6% risk free interest rate over a 10 year term using an annual dividend rate of between 1.74% and 1.92% and a .01% volatility rate.

The pro-forma effect of the potential exercise of stock options on basic earnings per share would be to increase the number of weighted average number of outstanding shares by approximately 14,000 in 1997, 16,000 in 1996, and 9,000 in 1995.

The Company also has an Employee Stock Purchase Plan which reserves 70,968 shares of common stock for eligible employees. The purchase price is 95% of the lesser of (1) the common stock's fair market value at July 1 or (2) the common stock's fair market value at the following June 30. During 1997, 4,032 shares of common stock were purchased by employees.

NOTE 9, Income Taxes

The components of income tax expense are as follows:

	1997	1996	1995
	(Dollars in Thousands)		
Currently payable	\$1,458	\$1,214	\$572
Deferred	(17)	95	225
	-----	-----	-----
Reported tax expense	\$1,441	\$1,309	\$797
	=====	=====	=====

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

	1997	1996	1995
	(Dollars in Thousands)		
Provision for loan losses	(\$186)	(\$8)	\$222
Other writedowns and adjustments	---	---	---
Pension plan expenses	17	32	15
Deferred loan fees, net	24	21	27
Security gains and losses	(4)	(7)	3
Interest on certain non-accrual loans	95	8	(77)
Alternative minimum taxes	---	---	---
Depreciation	37	46	33
Other	---	3	2
	-----	-----	-----
	(\$17)	\$95	\$225
	=====	=====	=====

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

	1997	1996	1995
	(Dollars in Thousands)		
Expected tax expense (34%)	\$1,880	\$1,616	\$1,067
Interest expense on tax exempt assets	57	38	25
Tax exempt interest	(494)	(352)	(263)
Alternative minimum tax	---	---	---
Disqualified incentive stock options	(2)	---	(47)

Other, net	---	7	15
	-----	-----	-----
Reported tax expense	\$1,441	\$1,309	\$ 797
	=====	=====	=====



NOTE 9, Income Taxes (Continued)

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

	1997	1996
	(Dollars in Thousands)	
Components of Deferred Tax Liability:		
Depreciation	(\$147)	(\$110)
Accretion of discounts on securities	(9)	(15)
Net unrealized (gain) on available-for-sale securities	(366)	(25)
Deferred loan fees and costs	(91)	(67)
Other	0	(2)
	-----	-----
Deferred tax liability	(613)	(219)
Components of Deferred Tax Asset:		
Allowance for loan losses	552	366
Net unrealized loss on available-for-sale securities	---	---
Interest on non-accrual loans	216	311
Deferred compensation	8	12
Pension	8	25
	-----	-----
Deferred tax asset, net	\$171	\$495
	=====	=====

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, 1997, under noncancellable leases is \$807 thousand which is due as follows:

Year	(Dollars in Thousands)
1998	\$165
1999	97
2000	48
2001	48
2002	48
Remaining term of leases	401
	----
Total	\$807
	=====

The aggregate rental expense of premises and equipment was \$208 thousand, \$191 thousand and \$165 thousand for 1997, 1996, and 1995 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:

	1997	1996
	(Dollars in Thousands)	
Actuarial present value of benefits obligations:		
Vested benefits	(\$1,720)	(\$1,723)
	=====	=====
Accumulated benefit obligation	(\$1,828)	(\$1,840)
	=====	=====
Projected benefit obligation	(\$2,582)	(\$2,576)
Plan assets at fair value	2,367	2,176
	-----	-----
Projected benefit obligation in excess of plan assets	(215)	(400)
Unrecognized net plan asset	(50)	(62)
Net deferrals	243	390
	-----	-----
Pension plan liability included in consolidated balance sheets	(\$22)	(\$72)
	=====	=====
Net pension cost includes the following components:		
Service cost - benefits earned in the current period	\$141	\$146
Interest cost on projected benefit obligation	179	168
Return on plan assets	(158)	(131)
Recognition of unrecognized net plan assets	(12)	(12)
Amortization of net deferrals	6	17
	-----	-----
Net pension cost	\$156	\$188
	=====	=====
Contributions to the plan	\$206	\$282
	=====	=====

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

	1997	1996
Discount rate	8.0%	7.5%
Compensation increase	5.0%	5.0%
Expected long term rate of return on assets	8.0%	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 \$258 thousand and \$261 thousand in 1997 and 1996, respectively.

NOTE 13, Commitments and Contingencies

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

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

	1997	1996
	(Dollars in Thousands)	
Commitments to extend credit:		
Home equity lines of credit	\$ 9,748	\$ 9,442
Construction and development		
loans committed but not funded	7,124	5,228
Other lines of credit		
(principally commercial)	19,556	19,201
	-----	-----
	\$36,428	\$33,871
	=====	=====
Irrevocable letters of credit	\$ 822	\$ 1,071
	=====	=====

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

Standby letters of credit and financial guarantees written are conditional commitments issued by the bank to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support private borrowing agreements. Most guarantees extend for less than two years and expire in decreasing amounts through 1998. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers. The Bank holds various collateral supporting those commitments for which collateral is deemed necessary.

NOTE 14, Fair Value of Financial Instruments

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

	1997		1996	
	Carrying Amount (Dollars in Thousands)	Fair Value	Carrying Amount (Dollars in Thousands)	Fair Value
Cash and due from banks	\$12,208	\$12,208	\$10,988	\$10,988
Investment securities, held-to-maturity	28,980	29,096	24,967	24,820
Investment securities, available-for-sale	67,546	67,546	70,089	70,089
Federal funds sold	6,977	6,977	561	561
Loans, net of allowances for loan losses	219,073	217,913	196,254	195,793
Deposits:				
Non-interest bearing deposits	52,360	52,360	47,534	47,534
Savings deposits	99,991	99,991	96,196	96,196
Certificates of Deposit	134,749	134,330	119,789	120,018
Securities sold under repurchase agreement and federal funds purchased	20,165	20,165	17,135	17,135
Interest bearing U.S. Treasury demand notes and other liabilities for borrowed money	4,025	4,025	2,301	2,301
Commitments to extend credit	36,428	36,428	33,871	33,871
Irrevocable letters of credit	822	822	1,071	1,071

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

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

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

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

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

**NOTE 15, Regulatory Matters**

The Company is required to maintain minimum amounts of capital to "risk weighted" assets, as defined by the banking regulators. At December 31, 1997, 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 15.06% and 16.19%. The Company's leverage ratio at December 31, 1997 was 10.32%.

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 1998, without approval of the Comptroller of the Currency, \$5.6 million plus an additional amount equal to the Bank's retained net profits for 1998 up to the date of any dividend declaration.

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

As of December 31,  
Dollars in thousands

	1997	1996
<hr/>		
ASSETS		
Cash in bank	\$289	\$143
Investment securities	1,877	1,676
Total Loans	0	50
Investment in subsidiary	34,171	30,456
Other real estate owned	0	0
Other assets	8	75
	-----	-----
TOTAL ASSETS	\$36,345	\$32,400
	=====	=====
LIABILITIES AND		
STOCKHOLDERS EQUITY		
Notes payable - bank	\$0	\$0
Other liabilities	13	0
Total liabilities	13	0
Stockholders' equity	36,332	32,400
	-----	-----
TOTAL LIABILITIES AND		
STOCKHOLDERS' EQUITY	\$36,345	\$32,400
	=====	=====

OLD POINT FINANCIAL CORPORATION  
PARENT ONLY  
INCOME STATEMENTS

For the year ended December 31, Dollars in thousands	1997	1996	1995
<hr/>			
INCOME			
Cash dividends from subsidiary	\$1,000	\$1,000	\$1,000
Interest and Fees on Loans	1	4	4
Interest income from investment securities	105	94	96
Other income	0	0	0
	----	----	----
TOTAL INCOME	1,106	1,098	1,100
EXPENSES			
Interest on borrowed money	0	0	0
Other expenses	50	251	274
	----	----	----
TOTAL EXPENSES	50	251	274
	----	----	----
Income before taxes and undistributed net income of subsidiary	1056	847	826
Income tax	19	(52)	(59)
	----	----	----
Net income before undistributed net income of subsidiary	1,037	899	885
Undistributed net income of subsidiary	3,053	2,546	1,457
	----	----	----
NET INCOME	\$4,090	\$3,445	\$2,342

OLD POINT FINANCIAL CORPORATION  
PARENT ONLY  
STATEMENT OF CASH FLOWS

For the year ending December 31, Dollars in thousands	1997	1996	1995
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income (Loss)	\$4,090	\$3,445	\$2,342
Adjustments to Reconcile Net Income to Net Cash provided by operating activities:			
Equity in undistributed (earnings) losses of subsidiaries	(3,053)	(2,546)	(1,457)
Market write-down on other real estate owned	0	0	0
Increase (decrease) in other assets	53	12	(17)
Increase (decrease) in other liabilities	11	0	0
	----	----	----
Net cash provided (used) by operating activities	1,101	911	868
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
(Purchase)/Sales of Investments	(200)	0	(192)
Sale or repayment of investments in and advances to subsidiaries	0	0	0
(Purchase)/Sale of Premises and Equipment	16	0	(21)
Loans to customers	48	2	2
	----	----	----
Net cash provided (used) by investing activities	(136)	2	(211)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase (decrease) in borrowed money	0	0	0
Proceeds from issuance of common stock	231	0	88
Dividends paid	(1,050)	(892)	(777)
Other, net	0	0	0
	----	----	----
Net cash provided (used) by financing activities	(819)	(892)	(689)
Net increase in cash and due from banks	146	21	(32)
Cash and due from banks at beginning of period	143	122	154
	----	----	----
Cash and due from banks at end of period	\$289	\$143	\$122

### Accounting Rule Changes

None.

### Regulatory Requirements and Restrictions

For the reserve maintenance period in effect at December 31, 1997, 1996 and 1995 the bank was required to maintain with the Federal Reserve Bank of Richmond an average daily balance totalling approximately \$400 thousand, \$ 5.7 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 eleven persons named below, all of whom currently serve as directors of the Company will be nominated to serve as directors until the 1999 Annual Meeting, or until their successors have been duly elected and have qualified.

Director Name and (Age)	Since (1)	Principal Occupation For Past Five Years	Amount and Nature of Beneficial Ownership As of March 17, 1998 (Percent of Class) (2)(3)
Dr. Richard F. Clark (65)	1981	Pathologist Sentara Hampton General Hospital	62,533 2.4%
Gertrude S. Dixon (84)	1981	Real Estate Management and Ownership	193,099 7.5%
Russell Smith Evans Jr. (55)	1993	Assistant Treasurer and Corporate Fleet Manager Ferguson Enterprises	1,650 *
G. Royden Goodson, III (42)	1994	President Warwick Plumbing & Heating Corp.	4,362 *
Dr. Arthur D. Greene (53)	1994	Surgeon - Partner Tidewater Orthopaedic Associates	3,264 *
Stephen D. Harris (56)	1988	Attorney-at-Law -Partner Geddy, Harris & Geddy	8,800 *
John Cabot Ishon (51)	1989	President Hampton Stationery	12,780 *
Eugene M. Jordan (74)	1964	Attorney-at-Law Cumming, Hatchett & Jordan, P.C.	28,000 1.1%
John B. Morgan, II (51)	1994	President Morgan-Marrow Insurance	2,600 *
Dr. H. Robert Schappert (59)	1996	Veterinarian - Owner Beechmont Veterinary Hospital	89,740 3.5%
Robert F. Shuford (60)	1965	Chairman of the Board, President & CEO Old Point Financial Corporation Chairman of the Board, President & CEO Old Point National Bank	150,530

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

(1) Refers to the year in which the individual first became a director of the Bank. Dr. Richard F. Clark, 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.

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

(3) Includes shares held (i) by their close relatives or held jointly with their spouses, (ii) as custodian or trustee for the benefit of their children or others, or (iii) as attorney-in-fact subject to a general power of attorney - Dr. Clark, 200 shares; Mr. Evans, 650 shares; Dr. Greene, 1,968 shares; Mr. Harris, 400 shares; Mr. Ishon, 3,480 shares; Mr. Jordan, 16,970 shares; Mr. Morgan, 2,200 shares; Dr. Schappert, 81,370 shares; and Mr. Shuford, 75,590 shares.

(4) Includes shares that may be acquired within 60 days pursuant to the exercise of stock options granted under the Old Point Stock Option Plans - Mr. Shuford 17,814.

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 1997.

In addition to the executive officer included in the preceding list of directors, the persons listed below were executive officers of the Company or its subsidiary as of December 31, 1997.

Name and (Age)	Executive Officer Since (1)	Principal Occupation For Past Five Years
Louis G. Morris (43)	1988	Senior Vice President and Treasurer Old Point Financial Corporation
Cary B. Epes (49)	1993	Senior Vice President Old Point Financial Corporation
W. Rodney Rosser (57)	1989	Senior Vice President and Secretary Old Point Financial Corporation
Margaret P. Causby (47)	1992	Senior Vice President Old Point Financial Corporation

Patricia A. Orendorff (51) 1994 Senior Vice President and Cashier Old Point National Bank

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

(1) 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 a three year summary of all compensation paid or accrued by the Company and the Bank to the Company's Chief Executive Officer and each executive officer whose salary and bonus for 1997 exceeded \$100,000.

**SUMMARY COMPENSATION TABLE**  
**Annual Compensation**

Name and Principal Position	Year	Salary(1)	Bonus(2)	All other Compensation(3)(4)
Robert F. Shuford	1997	\$148,500	\$26,000	\$16,092
Holding Company	1996	\$147,900	\$10,000	\$10,857
Chairman, President & CEO	1995	\$147,900	\$ 0	\$56,655
W. Rodney Rosser	1997	\$86,100	\$14,400	\$8,499
EVP & Trust Officer	1996	\$85,500	\$ 8,000	\$6,136
& Secretary	1995	\$80,000	\$ 7,500	\$5,008

(1) Salary includes directors' fees as follows: Mr. Shuford - 1997 of \$4,500, 1996 of \$3,900, and 1995 of \$3,900.

(2) Bonus consideration for Mr. Shuford is paid in January of each year following the year in which earned so that end results could be evaluated by the Compensation Committee. Bonus consideration for Mr. Rosser is paid in the year in which earned.

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

	1997	1996	1995
Profit Sharing	\$4,342	\$4,395	\$3,233
Cash profit Sharing	4,088	0	0
401(k) Matching Plan	4,320	4,320	4,320
Split Dollar Life Insurance *	0	0	24,750
Sale of ISO **	0	0	22,750
Group Term Insurance	3,342	2,142	1,602
	-----	-----	-----

\$16,092 \$10,857 \$56,655

\* 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.

(4) Mr. Rosser has received other compensation as follows:

	1997	1996	1995
Profit Sharing	\$2,532	\$2,564	\$1,796
Cash Profit Sharing	2,385	0	0
401(k) Matching Plan	2,520	2,510	2,400
Group Term Insurance	1,062	1,062	812
	-----	-----	-----
	\$8,499	\$6,136	\$5,008

## **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, 1997, borrowing by all policy making officers and directors amounted to \$1.9 million. This amount represented 5.0% of the total equity capital accounts of the Company as of December 31, 1997. 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 Cumming, Hatchett and Jordan, P.C. serves as legal counsel to the Bank. Mr. Eugene M. Jordan is a member of the firm. During 1997, the firm received from the Bank a retainer and fees totalling \$85,576. Morgan-Marrow Company, of which John B. Morgan, II is President, provided insurance for which the Bank paid \$98,785 during 1997. Hampton stationery, of which John Cabot Ishon is the owner, Geddy, Harris & Geddy, of which Stephen D. Harris is a partner, and Warwick Plumbing & Heating Corp of which G. Royden Goodson, III is President provided products and services to the Bank during 1997.

## PART IV

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

#### A.1 Financial Statements:

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

Consolidated Balance Sheets - December 31, 1997 and 1996 Consolidated Statements of Income Years Ended December 31, 1997, 1996 and 1995 Consolidated Statements of Changes in Stockholders' Equity Years Ended December 31, 1997, 1996 and 1995 Consolidated Statements of Cash Flows Years Ended December 31, 1997, 1996 and 1995 Notes to Financial Statements Auditor's Report

#### A.2 Financial Statement Schedules:

Schedule Location Average Balance Sheets, Net Interest Income and Rates Part I, Item 1

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

### **A.3 Exhibits:**

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

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

A report on Form 8-K was filed on October 14, 1997 with the Securities and Exchange Commission regarding the Company's announcement of a stock dividend.

## 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, 1998.

### 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, 1997.*

<i>Signature</i>	<i>Title</i>
<i>/s/Robert F. Shuford</i> <i>Robert F. Shuford</i>	<i>President and Director</i> <i>Principal Executive Officer</i>
<i>/s/Louis G. Morris</i> <i>Louis G. Morris</i>	<i>Senior Vice President and Treasurer</i> <i>Principal Financial &amp; Accounting Officer</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>

**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 AND CONSULTANTS**

**CONSENT OF INDEPENDENT AUDITORS**

Board of Directors  
Old Point Financial Corporation

We consent to the incorporation by reference in this Annual Reports on Form 10-K of our report dated January 16, 1998, relating to the consolidated financial statements of Old Point Financial Corporation as of December 31, 1997, 1996, and 1995, and for each of the years in the three-year period ended December 31, 1997.

**EGGLESTON SMITH P.C.**

*/s/ EGGLESTON SMITH P.C.*

*Newport News, Virginia  
March 25, 1998*

## 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 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, 1997 and any and all amendments to such Report, together with such other supplements, statements, instruments and documents as such attorneys or attorney deem necessary or appropriate.

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

WITNESS my execution hereof this 13th day of January, 1998.

*/s/ Russell S. Evans, Jr. (SEAL)*  
*Old Point Financial Corporation*  
*Power of Attorney*

I, Dr. Richard F. Clark, do hereby constitute and appoint Robert F. Shuford and Eugene M. Jordan, my true and lawful attorney-in-fact, any of whom acting singly is hereby authorized for me and in my name and on my behalf as a director and/or officer of Old Point Financial Corporation (the "Corporation"), to act and to execute any and all instruments as such attorneys or attorney deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934, as amended ("Act"), and any rules, regulations, policies or requirements of the Securities Exchange Commission (the "Commission") in respect thereof in connection with the preparation and filing by the Corporation with the Commission of its Annual Report on Form 10-K for the year ended December 31, 1997 and any and all amendments to such Report, together with such other supplements, statements, instruments and documents as such attorneys or attorney deem necessary or appropriate.

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

WITNESS my execution hereof this 13th day of January, 1998.

*/s/ Dr. Richard F. Clark (SEAL)*  
*Old Point Financial Corporation*  
*Power of Attorney*

I, Gertrude S. Dixon, do hereby constitute and appoint Robert F. Shuford and Eugene M. Jordan, my true and lawful attorney-in-fact, any of whom acting singly is hereby authorized for me and in my name and on my behalf as a director and/or officer of Old Point Financial Corporation (the "Corporation"), to act and to execute any and all instruments as such attorneys or attorney deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934, as amended ("Act"), and any rules, regulations, policies or requirements of the Securities Exchange Commission (the "Commission") in respect thereof in connection with the preparation and filing by the Corporation with the Commission of its Annual Report on Form 10-K for the year ended December 31, 1997 and any and all amendments to such Report, together with such other supplements, statements, instruments and documents as such attorneys or attorney deem necessary or appropriate.

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

WITNESS my execution hereof this 13th day of January, 1998.

*/s/ Gertrude S. Dixon (SEAL)*  
*Old Point Financial Corporation*  
*Power of Attorney*

I, Stephen D. Harris, do hereby constitute and appoint Robert F. Shuford and Eugene M. Jordan, my true and lawful attorney-in-fact, any of whom acting singly is hereby authorized for me and in my name and on my behalf as a director and/or officer of Old Point Financial Corporation (the "Corporation"), to act and to execute any and all instruments as such attorneys or attorney deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934, as amended ("Act"), and any rules, regulations, policies or



requirements of the Securities Exchange Commission (the "Commission") in respect thereof in connection with the preparation and filing by the Corporation with the Commission of its Annual Report on Form 10-K for the year ended December 31, 1997 and any and all amendments to such Report, together with such other supplements, statements, instruments and documents as such attorneys or attorney deem necessary or appropriate.

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

WITNESS my execution hereof this 13th day of January, 1998.

*/s/ Stephen D. Harris (SEAL)*  
*Old Point Financial Corporation*  
*Power of Attorney*

I, John Cabot Ishon, do hereby constitute and appoint Robert F. Shuford and Eugene M. Jordan, my true and lawful attorney-in-fact, any of whom acting singly is hereby authorized for me and in my name and on my behalf as a director and/or officer of Old Point Financial Corporation (the "Corporation"), to act and to execute any and all instruments as such attorneys or attorney deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934, as amended ("Act"), and any rules, regulations, policies or requirements of the Securities Exchange Commission (the "Commission") in respect thereof in connection with the preparation and filing by the Corporation with the Commission of its Annual Report on Form 10-K for the year ended December 31, 1997 and any and all amendments to such Report, together with such other supplements, statements, instruments and documents as such attorneys or attorney deem necessary or appropriate.

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

WITNESS my execution hereof this 13th day of January, 1998.

*/s/ John Cabot Ishon (SEAL)*  
*Old Point Financial Corporation*  
*Power of Attorney*

I, Eugene M. Jordan, do hereby constitute and appoint Robert F. Shuford and Eugene M. Jordan, my true and lawful attorney-in-fact, any of whom acting singly is hereby authorized for me and in my name and on my behalf as a director and/or officer of Old Point Financial Corporation (the "Corporation"), to act and to execute any and all instruments as such attorneys or attorney deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934, as amended ("Act"), and any rules, regulations, policies or requirements of the Securities Exchange Commission (the "Commission") in respect thereof in connection with the preparation and filing by the Corporation with the Commission of its Annual Report on Form 10-K for the year ended December 31, 1997 and any and all amendments to such Report, together with such other supplements, statements, instruments and documents as such attorneys or attorney deem necessary or appropriate.

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

WITNESS my execution hereof this 13th day of January, 1998.

*/s/ Eugene M. Jordan (SEAL)*  
*Old Point Financial Corporation*  
*Power of Attorney*

I, Robert F. Shuford, do hereby constitute and appoint Robert F. Shuford and Eugene M. Jordan, my true and lawful attorney-in-fact, any of whom acting singly is hereby authorized for me and in my name and on my behalf as a director and/or officer of Old Point Financial Corporation (the "Corporation"), to act and to execute any and all instruments as such attorneys or attorney deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934, as amended ("Act"), and any rules, regulations, policies or requirements of the Securities Exchange Commission (the "Commission") in respect thereof in connection with the preparation and filing by the Corporation with the Commission of its Annual Report on Form 10-K for the year ended December 31, 1997 and any and all amendments to such Report, together with such other supplements, statements, instruments and documents as such attorneys or attorney deem necessary or appropriate.

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

WITNESS my execution hereof this 13th day of January, 1998.

*/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 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, 1997 and any and all amendments to such Report, together with such other supplements, statements, instruments and documents as such attorneys or attorney deem necessary or appropriate.

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

WITNESS my execution hereof this 13th day of January, 1998.

*/s/ Dr. Arthur D. Greene (SEAL)*  
*Old Point Financial Corporation*  
*Power of Attorney*

I, John B. Morgan, II, do hereby constitute and appoint Robert F. Shuford and Eugene M. Jordan, my true and lawful attorney-in-fact, any of whom acting singly is hereby authorized for me and in my name and on my behalf as a director and/or officer of Old Point Financial Corporation (the "Corporation"), to act and to execute any and all instruments as such attorneys or attorney deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934, as amended ("Act"), and any rules, regulations, policies or requirements of the Securities Exchange Commission (the "Commission") in respect thereof in connection with the preparation and filing by the Corporation with the Commission of its Annual Report on Form 10-K for the year ended December 31, 1997 and any and all amendments to such Report, together with such other supplements, statements, instruments and documents as such attorneys or attorney deem necessary or appropriate.

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

WITNESS my execution hereof this 13th day of January, 1998.

*/s/ John B. Morgan, II (SEAL)*  
*Old Point Financial Corporation*  
*Power of Attorney*

I, G. Royden Goodson, III, do hereby constitute and appoint Robert F. Shuford and Eugene M. Jordan, my true and lawful attorney-in-fact, any of whom acting singly is hereby authorized for me and in my name and on my behalf as a director and/or officer of Old Point Financial Corporation (the "Corporation"), to act and to execute any and all instruments as such attorneys or attorney deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934, as amended ("Act"), and any rules, regulations, policies or requirements of the Securities Exchange Commission (the "Commission") in respect thereof in connection with the preparation and filing by the Corporation with the Commission of its Annual Report on Form 10-K for the year ended December 31, 1997 and any and all amendments to such Report, together with such other supplements, statements, instruments and documents as such attorneys or attorney deem necessary or appropriate.

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

WITNESS my execution hereof this 13th day of January, 1998.

*/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 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, 1997 and any and all amendments to such Report, together with such other supplements, statements, instruments and documents as such attorneys or attorney deem necessary or appropriate.

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 13th day of January, 1998.

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

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## **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:

**President**

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.

**ARTICLE 9**

MULTIPLIER: 1000

PERIOD TYPE	YEAR
FISCAL YEAR END	DEC 31 1997
PERIOD END	DEC 31 1997
CASH	12,208
INT BEARING DEPOSITS	94
FED FUNDS SOLD	6,977
TRADING ASSETS	0
INVESTMENTS HELD FOR SALE	67,546
INVESTMENTS CARRYING	28,980
INVESTMENTS MARKET	29,096
LOANS	221,744
ALLOWANCE	2,671
TOTAL ASSETS	348,671
DEPOSITS	287,100
SHORT TERM	4,000
LIABILITIES OTHER	1,049
LONG TERM	25
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	12,831
OTHER SE	22,794
TOTAL LIABILITIES AND EQUITY	348,671
INTEREST LOAN	19,203
INTEREST INVEST	5,763
INTEREST OTHER	276
INTEREST TOTAL	25,242
INTEREST DEPOSIT	9,721
INTEREST EXPENSE	10,681
INTEREST INCOME NET	14,561
LOAN LOSSES	600
SECURITIES GAINS	(1)
EXPENSE OTHER	12,704
INCOME PRETAX	5,531
INCOME PRE EXTRAORDINARY	5,531
EXTRAORDINARY	0
CHANGES	0
NET INCOME	4,090
EPS PRIMARY	1.60
EPS DILUTED	1.59
YIELD ACTUAL	4.91
LOANS NON	660
LOANS PAST	455
LOANS TROUBLED	0
LOANS PROBLEM	2,500
ALLOWANCE OPEN	2,330
CHARGE OFFS	868
RECOVERIES	609
ALLOWANCE CLOSE	2,671
ALLOWANCE DOMESTIC	0
ALLOWANCE FOREIGN	0
ALLOWANCE UNALLOCATED	1,430

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