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OLD POINT FINANCIAL CORP  
Form 10-K405  
March 28, 2002

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, 2001  
 Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 (no fee required)  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 0-12896  
OLD POINT FINANCIAL CORPORATION  
(Name of issuer in its charter)

Virginia 54-1265373  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)  
  
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 15, 2002 the aggregate market value of the 1,942,409 shares of common stock of Old Point Financial Corporation held by nonaffiliates was approximately \$53 million based upon the closing price of the stock as of March 15, 2002. Number of shares outstanding on March 15, 2002 was 2,602,577.

DOCUMENTS INCORPORATED BY REFERENCE

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NONE

OLD POINT FINANCIAL CORPORATION

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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

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

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

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

As of December 31, 2001, the Company had assets of \$518.8 million, loans of \$346.5 million, deposits of \$412.3 million, and stockholders' equity of \$50.9 million. At year end, the Company and its subsidiaries had a total of 241 employees, 27 of whom were part-time.

The Company's trade area is Hampton Roads, which includes Williamsburg, Poquoson, Newport News, Hampton, Chesapeake, Norfolk, Virginia Beach, Portsmouth and Suffolk. The area also includes the Isle of Wight, James City, Gloucester and Mathews counties. According to the 2000 Hampton Roads Statistical Digest, there are more than 1.6 million people in the area with 30% of all jobs linked to the military. The service industry, which employed approximately 194,000 in 1999, is the biggest provider of jobs in Hampton Roads.

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

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

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

As a bank holding company within the meaning of the Bank Holding

Company Act of 1956, the Company is subject to the ongoing regulation,

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

### Recent Legislation

The USA PATRIOT Act (Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism) was signed on October 26, 2001. It comprises ten titles aimed at providing stronger surveillance powers, strengthening criminal laws against terrorism, improving intelligence and combating money laundering. Title III of the USA PATRIOT Act contains the provisions that have the greatest impact on financial institutions. Title III amends the Bank Secrecy Act and provides the Department of the Treasury and federal agencies with enhanced authority to combat international money laundering. Title III applies to all financial institutions regardless of charter or size and expands the reach to organizations not previously covered.

OFAC, the Office of Foreign Assets Control, is a division of the Department of the Treasury. OFAC is responsible for helping to insure that United States entities do not engage in transactions with "enemies" of the United States, as defined by various Executive Orders and Acts of Congress. Financial institutions, along with other entities, are expected to comply with these regulations. Due to these regulations, the Company has implemented additional OFAC filtering solutions. The Company actively checks high-risk OFAC areas such as new accounts, wire transfers and customer files. The Company performs the checks utilizing software, which is updated each time a modification is made to the lists provided by OFAC and other agencies of Specially Designated Nationals and Blocked Persons.

### 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.

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TABLE I  
AVERAGE BALANCE SHEETS, NET INTEREST INCOME\*

| For the years ended December 31,   | 2001            |                         |                           | 2000            |                         |                           |
|--|-----------------|-------------------------|---------------------------|-----------------|-------------------------|---------------------------|
| Dollars in thousands   | Average Balance | Interest Income/Expense | Average Rates Earned/Paid | Average Balance | Interest Income/Expense | Average Rates Earned/Paid |
| <b>ASSETS</b>  |                 |                         |                           |                 |                         |                           |
| Loans  | \$332,097       | \$ 27,765               | 8.36%                     | \$303,826       | \$ 26,625               | 8.76%                     |
| Investment securities:   |                 |                         |                           |                 |                         |                           |
| Taxable  | 76,670          | 4,389                   | 5.72%                     | 71,148          | 4,383                   | 6.16%                     |
| Tax-exempt   | 52,031          | 3,773                   | 7.25%                     | 54,726          | 4,090                   | 7.47%                     |
| Total investment securities  | 128,701         | 8,162                   | 6.34%                     | 125,874         | 8,473                   | 6.73%                     |
| Federal funds sold   | 14,467          | 563                     | 3.89%                     | 3,099           | 211                     | 6.81%                     |
| Total earning assets   | 475,265         | 36,490                  | 7.68%                     | 432,799         | 35,309                  | 8.16%                     |
| Reserve for loan losses  | (3,646)         |                         |                           | (3,394)         |                         |                           |
|  | 471,619         |                         |                           | 429,405         |                         |                           |
| Cash and due from banks  | 9,862           |                         |                           | 9,424           |                         |                           |
| Bank premises and equipment  | 15,715          |                         |                           | 15,015          |                         |                           |
| Other assets   | 4,838           |                         |                           | 5,759           |                         |                           |
| Total assets   | \$502,034       |                         |                           | \$459,603       |                         |                           |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |                 |                         |                           |                 |                         |                           |
| Time and savings deposits:   |                 |                         |                           |                 |                         |                           |
| Interest-bearing transaction accounts  | \$ 6,559        | \$ 88                   | 1.34%                     | \$ 4,617        | \$ 109                  | 2.36%                     |
| Money market deposit accounts  | 100,577         | 2,159                   | 2.15%                     | 93,458          | 3,013                   | 3.22%                     |
| Savings accounts   | 28,864          | 536                     | 1.86%                     | 28,264          | 774                     | 2.74%                     |
| Certificates of deposit, \$100,000 or more   | 49,072          | 2,672                   | 5.45%                     | 35,241          | 2,051                   | 5.82%                     |
| Other certificates of deposit  | 142,987         | 8,202                   | 5.74%                     | 136,792         | 7,863                   | 5.75%                     |
| Total time and savings deposits  | 328,059         | 13,657                  | 4.16%                     | 298,372         | 13,810                  | 4.63%                     |
| Federal funds purchased, securities sold under agreement to repurchase & FHLB advances | 51,253          | 2,425                   | 4.73%                     | 48,922          | 2,769                   | 5.66%                     |
| Other short term borrowings  | 2,158           | 73                      | 3.38%                     | 1,982           | 127                     | 6.41%                     |
| Total interest bearing liabilities   | 381,470         | 16,155                  | 4.23%                     | 349,276         | 16,706                  | 4.78%                     |
| Demand deposits  | 68,516          |                         |                           | 65,169          |                         |                           |
| Other liabilities  | 2,327           |                         |                           | 1,900           |                         |                           |
| Total liabilities  | 452,313         |                         |                           | 416,345         |                         |                           |
| Stockholders' equity   | 49,721          |                         |                           | 43,258          |                         |                           |
| Total Liabilities and Stockholders Equity  | \$502,034       |                         |                           | \$459,603       |                         |                           |
| Net interest income/yield  |                 | \$ 20,335               | 4.28%                     |                 | \$ 18,603               | 4.30%                     |

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|                |           |           |
|----------------|-----------|-----------|
| Total deposits | \$396,575 | \$363,541 |
|----------------|-----------|-----------|

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

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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

| Dollars in Thousands   | Year 2001 over 2000<br>Due to change in: |                 |                               | Year 2000 over 1999<br>Due to change in: |                 |                               |
|--|--|-----------------|-------------------------------|--|-----------------|-------------------------------|
|  | Average<br>Volume                        | Average<br>Rate | Net<br>Increase<br>(Decrease) | Average<br>Volume                        | Average<br>Rate | Net<br>Increase<br>(Decrease) |
| INCOME FROM EARNING ASSETS   |  |                 |                               |  |                 |                               |
| Loans  | \$ 2,477                                 | \$(1,337)       | \$ 1,140                      | \$ 3,740                                 | \$ 1,091        | \$ 4,831                      |
| Investment Securities:   |  |                 |                               |  |                 |                               |
| Taxable  | 340                                      | (334)           | 6                             | (533)                                    | 69              | (464)                         |
| Tax-exempt   | (201)                                    | (116)           | (317)                         | (88)                                     | 88              | -                             |
| Total investment securities  | 139                                      | (450)           | (311)                         | (621)                                    | 157             | (464)                         |
| Federal funds sold   | 774                                      | (422)           | 352                           | (55)                                     | 47              | (8)                           |
|  | 3,390                                    | (2,209)         | 1,181                         | 3,064                                    | 1,295           | 4,359                         |
| INTEREST EXPENSE   |  |                 |                               |  |                 |                               |
| Interest bearing transaction accounts  | 46                                       | (67)            | 21                            | 15                                       | -               | 15                            |
| Money market deposit accounts  | 230                                      | (1,084)         | (854)                         | (44)                                     | 120             | 76                            |
| Savings accounts   | 16                                       | (254)           | (238)                         | 9  | -               | 9                             |
| Certificate of deposits, \$100,000<br>or more  | 805                                      | (184)           | 621                           | 228                                      | 115             | 343                           |
| Other certificates of deposit  | 356                                      | (17)            | 339                           | 219                                      | 599             | 818                           |
| Total time and savings deposits  | 1,453                                    | (1,606)         | (153)                         | 427                                      | 834             | 1,261                         |
| Federal funds purchased, securities<br>sold under agreement to repurchase<br>and FHLB advances | 132                                      | (476)           | (344)                         | 987                                      | 549             | 1,536                         |
| Other short-term borrowings  | 11                                       | (65)            | (54)                          | 14                                       | 30              | 44                            |
| Total expense for interest bearing<br>liabilities  | 1,596                                    | (2,147)         | (551)                         | 1,428                                    | 1,413           | 2,841                         |
| Change in Net Interest Income  | \$ 1,794                                 | \$ (62)         | \$ 1,732                      | \$ 1,635                                 | \$ (117)        | \$ 1,518                      |

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

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Interest Sensitivity

The following table reflects the earlier of the maturity or repricing data for various assets and December 31, 2001

TABLE III  
INTEREST SENSITIVITY ANALYSIS

| As of December 31, 2001<br>Dollars in thousands  | Within<br>3 Months | 4-12<br>Months | 1-5<br>Years | Over 5<br>Years |
|--|--------------------|----------------|--------------|-----------------|
| <b>Uses of funds</b>   |                    |                |              |                 |
| Federal funds sold.....  | \$ 5,018           | \$ -           | \$ -         | \$ -            |
| Taxable investments.....   | 5,196              | 5,250          | 70,916       | 2,143           |
| Tax-exempt investments.....  | 204                | 1,263          | 11,400       | 39,629          |
| Total investments.....   | 10,418             | 6,513          | 82,316       | 41,772          |
| <b>Loans:</b>  |                    |                |              |                 |
| Commercial.....  | 21,312             | 2,409          | 22,255       | 827             |
| Tax-exempt.....  | 394                | -              | 179          | 2,384           |
| Installment.....   | 6,159              | 3,672          | 67,104       | 10,690          |
| Real estate.....   | 42,213             | 8,966          | 103,813      | 49,301          |
| Other.....   | 1,578              | 43             | 2,853        | 331             |
| Total loans.....   | 71,656             | 15,090         | 196,204      | 63,533          |
| Total earning assets.....  | \$ 82,074          | \$ 21,603      | \$ 278,520   | \$105,305       |
| <b>Sources of funds</b>  |                    |                |              |                 |
| Interest checking deposits.....  | 9,376              | -              | -            | -               |
| Money market deposit accounts.....   | 101,680            | -              | -            | -               |
| Regular savings accounts.....  | 29,792             | -              | -            | -               |
| Certificates of deposit  |                    |                |              |                 |
| \$100,000 or more.....   | 9,856              | 24,714         | 11,234       | -               |
| Other time deposits.....   | 27,477             | 75,382         | 42,799       | 15              |
| Federal funds purchased, securities<br>sold under agreements to repurchase<br>& FHLB advances..... | 28,321             | -              | 5,000        | 20,000          |
| Other borrowed money.....  | 369                | -              | -            | -               |
| Total interest bearing liabilities.....  | \$ 206,871         | \$ 100,096     | \$ 59,033    | \$ 20,015       |
| Rate sensitivity GAP.....  | \$(124,797)        | \$(78,493)     | \$ 219,487   | \$ 85,290       |
| Cumulative GAP.....  | \$(124,797)        | \$(203,290)    | \$ 16,197    | \$101,487       |

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The Company was liability sensitive as of December 31, 2001. There were \$125 million more in liabilities than assets subject to repricing

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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, 2001.

TABLE IV  
INVESTMENT SECURITY MATURITIES & YIELDS

| Dollars in Thousands               | U.S.Govt/Agency |                        | State/Municipal |                        | Total      |                        |
|------------------------------------|-----------------|------------------------|-----------------|------------------------|------------|------------------------|
|                                    | Book Value      | Weighted Average Yield | Book Value      | Weighted Average Yield | Book Value | Weighted Average Yield |
| December 31, 2001                  |                 |                        |                 |                        |            |                        |
| Maturities:                        |                 |                        |                 |                        |            |                        |
| Within 1 year                      | \$ 7,250        | 6.13%                  | \$ 1,452        | 7.61%                  | \$ 8,702   | 6.37%                  |
| After 1 year, but within 5 years   | 71,763          | 5.43%                  | 9,960           | 7.24%                  | 81,723     | 5.65%                  |
| After 5 years, but within 10 years | 10,000          | 5.13%                  | 27,258          | 6.82%                  | 28,258     | 6.76%                  |
| After 10 years                     | -               | 0.00%                  | 13,371          | 6.40%                  | 13,371     | 6.40%                  |
| TOTAL                              | \$80,013        | 5.49%                  | \$52,041        | 6.81%                  | \$132,054  | 6.01%                  |
| December 31, 2000                  | \$63,238        | 6.03%                  | \$54,435        | 6.83%                  | \$117,673  | 6.40%                  |
| December 31, 1999                  | \$66,062        | 6.02%                  | \$57,391        | 6.97%                  | \$123,452  | 6.46%                  |

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

At December 31, 2001, the book value of other marketable equity securities with no stated maturity totaled \$3.2 million with an weighted average yield of 4.66%. These securities consisted of Federal Home Loan Bank stock of \$1.7 million yielding 6.75%, Federal Reserve stock of \$169 thousand yielding 6.00%, money market fund of \$1.3 million yielding 1.95% and other securities of \$50 thousand. The book value of other marketable securities with no stated maturity totaled \$5.7 million, yielding 6.37%; and \$5.1 million, yielding 5.59%; at December 31, 2000, and 1999 respectively.

### III. Loan Portfolio



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The following table shows a breakdown of total loans by type at December 31 for years 1997 through 2001:

TABLE V  
LOANS

| As of December 31,<br>Dollars in thousands | 2001      | 2000      | 1999      | 1998      | 1997      |
|--|-----------|-----------|-----------|-----------|-----------|
| Commercial and other                       | \$ 51,608 | \$ 62,181 | \$ 62,257 | \$ 53,793 | \$ 45,059 |
| Real Estate Construction                   | 27,056    | 15,219    | 11,461    | 5,418     | 3,836     |
| Real Estate Mortgage                       | 177,237   | 155,367   | 140,004   | 116,635   | 104,141   |
| Tax Exempt                                 | 2,957     | 3,314     | 2,747     | 1,401     | 2,093     |
| Installment Loans to Individuals           | 87,625    | 83,829    | 65,178    | 58,618    | 66,615    |
| Total                                      | \$346,483 | \$319,910 | \$281,647 | \$235,865 | \$221,744 |

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, 2001 is presented below:

TABLE VI  
MATURITY SCHEDULE OF SELECTED LOANS

| December 31, 2001<br>Dollars in thousands | One year<br>or less | One through<br>five years | Over five<br>years | Total    |
|---|---------------------|---------------------------|--------------------|----------|
| Commercial and other                      | \$ 25,342           | \$ 25,108                 | \$ 1,158           | \$51,608 |
| Real estate construction                  | 19,260              | 7,796                     | -                  | 27,056   |
| Total                                     | \$ 44,602           | \$ 32,904                 | \$ 1,158           | \$78,664 |

Loans maturing after one year with:

|                        |           |          |          |
|------------------------|-----------|----------|----------|
| Fixed interest rate    | \$ 32,904 | \$ 1,158 | \$34,062 |
| Variable interest rate | \$ -      | \$ -     | \$ -     |

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The following table presents information concerning the aggregate amount of nonaccrual, past due and restructured loans as of December 31 for the years 1997 through 2001.

TABLE VII

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NONACCRUAL, PAST DUE AND RESTRUCTURED LOANS

| As of December 31,<br>Dollars in thousands                                  | 2001   | 2000  | 1999   | 1998   | 1997   |
|---|--------|-------|--------|--------|--------|
| Nonaccrual loans  | \$ 351 | \$ 37 | \$ 514 | \$ 253 | \$ 660 |
| Accruing loans past due<br>90 days or more                                  | 450    | 470   | 1,351  | 641    | 455    |
| Restructured loans  | none   | none  | none   | none   | none   |
| Interest income which would have been<br>recorded under original loan terms | 41     | 25    | 49     | 52     | 205    |
| Interest income recorded during the period                                  | 83     | 9     | 68     | 123    | 485    |

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, 2001 such problem loans, not included in Table VII, amounted to approximately \$2.0 million. There were no relationships in excess of \$500 thousand.

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.

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The following table shows an analysis of the Allowance for Loan Losses for the years 1997 through 2001.

TABLE VIII

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ANALYSIS OF THE ALLOWANCE FOR LOAN LOSSES

| For the year ended December 31,<br>Dollars in thousands | 2001       | 2000       | 1999       | 1998       |
|---|------------|------------|------------|------------|
| Balance at beginning of period                          | \$ 3,649   | \$ 3,111   | \$ 2,855   | \$ 2,677   |
| Charge Offs:  |            |            |            |            |
| Commercial, financial and agricultural                  | 680        | 266        | 138        | 297        |
| Real estate construction                                | -          | -          | -          | -          |
| Real estate mortgage                                    | 19         | -          | 74         | 8          |
| Installment Loans to individuals                        | 724        | 486        | 581        | 56         |
| Other loans   | 36         | -          | -          | -          |
| Total charge offs                                       | 1,459      | 752        | 793        | 94         |
| Recoveries:   |            |            |            |            |
| Commercial, financial and agricultural                  | 222        | 418        | 104        | 13         |
| Real estate construction                                | -          | -          | -          | -          |
| Real estate mortgage                                    | 21         | 3          | 1          | 2          |
| Installment Loans to individuals                        | 256        | 244        | 294        | 31         |
| Other loans   | 5          | -          | -          | -          |
| Total recoveries  | 504        | 665        | 399        | 48         |
| Net charge offs   | 955        | 87         | 394        | 46         |
| Additions charged to operations                         | 1,200      | 625        | 650        | 65         |
| Balance at end of period                                | \$ 3,894   | \$ 3,649   | \$ 3,111   | \$ 2,855   |
| Selected loan loss statistics                           |            |            |            |            |
| Loans (net of unearned income):                         |            |            |            |            |
| End of period   | \$ 346,483 | \$ 319,910 | \$ 281,647 | \$ 235,866 |
| Daily average   | \$ 332,097 | \$ 303,826 | \$ 259,320 | \$ 226,900 |
| Net charge offs to average total loans                  | 0.29%      | 0.03%      | 0.15%      | 0.21%      |
| Provision for loan losses to average total loans        | 0.36%      | 0.21%      | 0.25%      | 0.29%      |
| Provision for loan losses to net charge offs            | 125.65%    | 718.39%    | 164.97%    | 139.48%    |
| Allowance for loan losses to period end loans           | 1.12%      | 1.14%      | 1.10%      | 1.21%      |
| Earnings to loan loss coverage*                         | 9.05       | 80.06      | 16.97      | 14.64      |

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

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The following table shows the amount of the Allowance for Loan Losses allocated to each category at December 31 for the years 1997 through 2001.

TABLE IX  
ALLOCATION OF THE ALLOWANCE FOR LOAN LOSSES

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| As of December 31,       | 2001    |  | 2000    |  | 1999    |  |
|--------------------------|---------|--|---------|--|---------|--|
|                          | 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     | \$ 667  | 15.75%   | \$ 742  | 20.47%   | \$ 828  | 23.08%   |
| Real Estate Construction | 119     | 7.81%  | 49      | 4.76%  | 40      | 4.07%  |
| Real Estate Mortgage     | 791     | 51.15%   | 212     | 48.57%   | 195     | 49.71%   |
| Consumer                 | 921     | 25.29%   | 519     | 26.20%   | 414     | 23.14%   |
| Unallocated              | 1,396   | -  | 2,127   | -  | 1,634   | -  |
| Total                    | \$3,849 | 100.00%  | \$3,649 | 100.00%  | \$3,111 | 100.00%  |

V. Deposits

The following table shows the average balances and average rates paid on deposits for the years ended December 31, 2001, 2000 and 1999.

TABLE X  
DEPOSITS

| For the year ended December 31,           | 2001            |              | 2000            |              | 1999            |              |
|---|-----------------|--------------|-----------------|--------------|-----------------|--------------|
| Dollars in thousands                      | Average Balance | Average Rate | Average Balance | Average Rate | Average Balance | Average Rate |
| Interest bearing transaction accounts     | \$ 6,559        | 1.34%        | 4,617           | 2.36%        | \$ 3,971        | 2.37%        |
| Money market deposit accounts             | 100,577         | 2.15%        | 93,458          | 3.22%        | 94,885          | 3.10%        |
| Savings accounts                          | 28,864          | 1.86%        | 28,264          | 2.74%        | 27,923          | 2.74%        |
| Certificate of deposit, \$100,000 or more | 49,072          | 5.45%        | 35,241          | 5.82%        | 31,089          | 5.49%        |
| Other certificate of deposit              | 142,987         | 5.74%        | 136,792         | 5.75%        | 132,674         | 5.31%        |
| Total interest bearing deposits           | 328,059         | 4.16%        | 298,372         | 4.63%        | 290,542         | 4.32%        |
| Non-interest bearing demand deposits      | 68,516          |              | 65,169          |              | 61,503          |              |
| Total deposits                            | \$ 396,575      |              | \$363,541       |              | \$352,045       |              |

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The following table shows certificates of deposit in amounts of \$100,000 or more as of December 31, 2001, 2000, and 1999 by time remaining until maturity.

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

| Dollars in thousands | 2001     | 2000   | 1999     |
|----------------------|----------|--------|----------|
| Maturing in          |          |        |          |
| 3 months or less     | \$ 8,445 | 7,634  | \$ 6,457 |
| 3 through 6 months   | 13,397   | 5,443  | 4,485    |
| 6 through 12 months  | 11,427   | 14,635 | 11,958   |

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|                |           |           |           |
|----------------|-----------|-----------|-----------|
| over 12 months | 12,535    | 12,665    | 11,132    |
|                | -----     | -----     | -----     |
|                | \$ 45,804 | \$ 40,377 | \$ 34,032 |

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.

|                                  |        |        |        |
|----------------------------------|--------|--------|--------|
|                                  | 2001   | 2000   | 1999   |
|                                  | -----  | -----  | -----  |
| Return on average assets         | 1.14%  | 1.12%  | 1.14%  |
| Return on average equity         | 11.48% | 11.87% | 11.81% |
| Dividend payout ratio            | 28.17% | 29.23% | 28.89% |
| Average equity to average assets | 9.90%  | 9.41%  | 9.64%  |

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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 2001, 2000, and 1999 are presented in the following table.

TABLE XII  
SHORT TERM BORROWINGS

| Dollars in thousands                                    | 2001      |       | 2000      |       | 1999      |       |
|---|-----------|-------|-----------|-------|-----------|-------|
|   | Balance   | Rate  | Balance   | Rate  | Balance   | Rate  |
| Balance at December 31,                                 |           |       |           |       |           |       |
| Federal funds purchased                                 | \$ -      |       | -         |       | \$ 2,400  | 5.00% |
| Securities sold under agreement<br>to repurchase        | 28,321    | 1.67% | 27,038    | 5.20% | 20,441    | 4.38% |
| U. S. treasury demand notes<br>and other borrowed money | 369       | 1.50% | 2,089     | 6.25% | 3,317     | 5.25% |
| Total   | \$ 28,690 |       | \$ 29,127 |       | \$ 26,158 |       |
| Average daily balance outstanding:                      |           |       |           |       |           |       |
| Federal funds purchased                                 | \$ 1      | 2.49% | 1,495     | 6.46% | \$ 792    | 5.07% |
| Securities sold under agreement<br>to repurchase        | 26,252    | 3.38% | 24,511    | 5.10% | 20,794    | 4.42% |
| U. S. treasury demand notes<br>and other borrowed money | 2,158     | 3.38% | 1,982     | 6.41% | 1,691     | 4.79% |
| Total   | \$ 28,411 | 4.65% | \$ 27,988 | 5.67% | \$ 23,277 | 4.55% |

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The maximum amount outstanding  
at any month end:

|   |           |           |           |
|---|-----------|-----------|-----------|
| Federal funds purchased                                 | \$ -      | \$ 10,000 | \$ 2,550  |
| Securities sold under agreement<br>to repurchase        | \$ 28,546 | \$ 28,530 | \$ 22,013 |
| U. S. treasury demand notes<br>and other borrowed money | \$ 6,165  | \$ 6,397  | \$ 4,014  |

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### Item 2. Description of Property

The Bank owns the Main Office, five office buildings, and nine 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 four branches are leased from unrelated parties under leases with renewal options which expire anywhere from 10-15 years.

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

### Item 3. Legal Proceedings

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

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

There were no matters submitted to a vote of security holders during the quarter ended December 31, 2001.

## Part II

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

Beginning in 2000 the common stock of Old Point Financial Corporation was quoted on the Nasdaq SmallCap under the symbol "OPOF". The approximate number of shareholders of record as of December 31, 2001 was 1,409. The range of high and low prices and dividends per share of the Company's common stock for each quarter during 2001 and 2000 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.

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### Item 6. Selected Financial Data

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

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TABLE XIII  
SELECTED FINANCIAL

| Years Ended December 31,                              | 2001       | 2000       | 1999       | 1998     |
|---|------------|------------|------------|----------|
| (Dollars in Thousands except per share)               |            |            |            |          |
| <b>RESULTS OF OPERATIONS</b>                          |            |            |            |          |
| Interest income.....                                  | \$ 35,108  | \$ 33,644  | \$ 29,483  | \$ 27,8  |
| Interest expense.....                                 | 16,156     | 16,707     | 13,862     | 12,7     |
| Net interest income.....                              | 18,952     | 16,937     | 15,621     | 15,1     |
| Provision for loan loss.....                          | 625        | 650        | 650        | 6        |
| Net interest income after provision for loan loss...  | 17,752     | 16,312     | 14,971     | 14,4     |
| Gains (losses) on sales of investment securities..... | (1)        | 44         | (54)       |          |
| Noninterest income.....                               | 6,543      | 5,641      | 5,440      | 4,9      |
| Noninterest expenses.....                             | 16,850     | 15,657     | 14,320     | 13,1     |
| Income before taxes.....                              | 7,444      | 6,340      | 6,037      | 6,1      |
| Income taxes .....                                    | 1,734      | 1,207      | 1,215      | 1,5      |
| Net income.....                                       | \$ 5,710   | \$ 5,133   | \$ 4,822   | \$ 4,6   |
| <b>FINANCIAL CONDITION</b>                            |            |            |            |          |
| Total assets.....                                     | \$ 518,759 | \$ 477,096 | \$ 436,294 | \$ 404,1 |
| Total deposits.....                                   | 412,303    | 374,779    | 360,918    | 343,4    |
| Total loans.....                                      | 346,483    | 319,910    | 281,647    | 235,8    |
| Stockholders' equity.....                             | 50,912     | 46,497     | 40,814     | 40,0     |
| Average assets.....                                   | 502,035    | 459,603    | 423,681    | 380,7    |
| Average equity.....                                   | 49,721     | 43,258     | 40,840     | 38,5     |
| <b>PERTINENT RATIOS</b>                               |            |            |            |          |
| Return on average assets.....                         | 1.14%      | 1.12%      | 1.14%      | 1.       |
| Return on average equity.....                         | 11.48%     | 11.87%     | 11.81%     | 12.      |
| Dividends paid as a percent of net income.....        | 28.17%     | 29.23%     | 28.89%     | 26.      |
| Average equity as a percent of average assets.....    | 9.90%      | 9.41%      | 9.64%      | 10.      |
| <b>PER SHARE DATA</b>                                 |            |            |            |          |
| Basic EPS.....  | \$ 2.20    | \$ 1.98    | \$ 1.87    | \$ 1.    |
| Cash dividends declared.....                          | 0.62       | 0.58       | 0.54       | 0.       |
| Book value.....                                       | 19.58      | 17.95      | 15.80      | 15.      |
| <b>GROWTH RATES</b>                                   |            |            |            |          |
| Year end assets.....                                  | 8.73%      | 9.35%      | 7.96%      | 15.      |
| Year end deposits.....                                | 10.01%     | 3.84%      | 5.10%      | 19.      |
| Year end loans.....                                   | 8.31%      | 13.59%     | 19.41%     | 6.       |
| Year end equity.....                                  | 9.50%      | 13.92%     | 2.00%      | 10.      |

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|                              |        |        |        |     |
|------------------------------|--------|--------|--------|-----|
| Average assets.....          | 9.23%  | 8.48%  | 11.27% | 14. |
| Average equity.....          | 14.94% | 5.92%  | 6.01%  | 11. |
| Net income.....              | 11.24% | 6.45%  | 4.01%  | 13. |
| Cash dividends declared..... | 6.90%  | 7.41%  | 12.50% | 17. |
| Book value.....              | 9.11%  | 13.60% | 1.69%  | 9.  |

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### 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 \$5.71 million, or \$2.20 per share in 2001 compared to \$5.13 million, or \$1.98 per share in 2000 and \$4.82 million, or \$1.87 per share in 1999. Return on average assets was 1.14% in 2001, 1.12% in 2000 and 1.14% in 1999. Return on average equity was 11.48% in 2001, 11.87% in 2000 and 11.81% in 1999. For the past five years return on average assets has averaged 1.17% and return on average equity has averaged 11.81%. 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 \$20.34 million in 2001, up \$1.73 million, or 9% from \$18.60 million in 2000 which was up \$1.51 million, or 9% from \$17.09 million in 1999. Net interest income is affected by variations in interest rates and the volume and mix of earning assets and interest-bearing liabilities. The net interest yield decreased to 4.28% in 2001 from 4.30% in 2000, which was up from 4.28% in 1999.

Tax equivalent interest income increased \$1.18 million, or 3%, in 2001. Average earning assets grew \$42.47 million, or 10%. Total average loans increased \$28.27 million, or 9%, while average investment securities increased \$2.83 million, or 2%. The yield on earning assets decreased in 2001 by forty-eight basis points primarily due to declining interest rates.

Interest expense decreased \$551 thousand or 3%, in 2001 while interest bearing liabilities increased 9% in 2001. The cost of funding liabilities decreased fifty-five basis points. The market experienced eleven rate reductions by the Federal Reserve in 2001. The asset pricing did not experience as large of a reduction in rates as did the liability pricing.



PROVISION/ALLOWANCE FOR LOAN LOSSES

Provision for loan losses is a charge against earnings necessary to maintain the allowance for loan losses at a level consistent with management's evaluation of the loan portfolio. The provision increased to \$1.20 million in 2001 and was \$625 thousand in 2000 and \$650 thousand in 1999. The increase was due to an increase in the net charge offs from 2001 as detailed in the next paragraph.

Loans charged off during 2001 totaled \$1.46 million compared to \$752 thousand in 2000 and \$793 thousand in 1999. Recoveries amounted to \$504 thousand in 2001, \$665 thousand in 2000 and \$399 thousand in 1999.

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The Company's net loans charged off to year-end loans were 0.28 % in 2001, 0.03% in 2000, and 0.14% in 1999. The allowance for loan losses, as a percentage of year-end loans, was 1.12% in 2001, 1.14% in 2000, and 1.10% in 1999.

As of December 31, 2001, nonperforming assets were \$1.35 million, up from \$787 thousand at year-end 2000. Nonperforming assets consist of loans in nonaccrual status and other real estate. The 2001 total consisted of other real estate of \$1.0 million and \$351 thousand in nonaccrual loans. The other real estate consists of \$165 thousand in commercial property originally acquired as a potential branch site and now held for sale and \$838 thousand in foreclosed properties. Nonaccrual loans consisted of \$229 thousand in real estate loans, \$64 thousand in commercial loans and \$58 thousand in consumer loans. Loans still accruing interest but past due 90 days or more decreased to \$450 thousand as of December 31, 2001 compared to \$470 thousand as of December 31, 2000.

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

OTHER INCOME

Other income increased \$857 thousand, or 15% in 2001 from 2000 compared to an increase of \$299 thousand, or 6% in 2000 from 1999. Continuing the trend from 2000 the growth in other income is attributed to higher trust income and service charges on deposit accounts. In 2001 there was an increase in mortgage brokerage income of \$192 thousand over 2000 due to increases in volume. The increase in service charge income is attributed to a modified fee structure that was implemented mid-year.

OTHER EXPENSES

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Other expenses increased \$1.19 million or 8% in 2001 over 2000 after increasing 9% in 2000 from 1999. Salary expense increased by 8% as a result of normal yearly salary increases, a full year of additional salaries related to opening a new branch and increased commissions paid to Trust personnel. The increase of \$129 thousand in equipment expense is a result of a full year's cost of equipment for a new branch and expenses related to the new proof imaging system. Other operating expenses increased \$238 thousand or 6%. Postage and Stationery/Supplies showed an increase in 2001 due to double mailing of statements during the conversion to image statements and also a result of Graham-Leach-Bliley Act privacy disclosure mailings sent to all customers. Courier costs increased as a result of servicing the new branch which opened in Norfolk. Ongoing technology advances and capital stock tax increases resulting from growth also played a role in the increase in other operating expenses.

### ASSETS

At December 31, 2001, the Company had total assets of \$518.8 million, up 9% from \$477.1 million at December 31, 2000. Average assets in 2001 were \$502.0 million compared to \$459.6 million in 2000. The growth in assets in 2001 was due to the increase in investments, which were up 10% and loans, which were up 8% in 2001.

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### LOANS

Total loans as of December 31, 2001 were \$346.5 million, up 8% from \$319.9 million at December 31, 2000. The Company realized significant growth in the real estate category of loans. Footnote 3 of the financial statements details the loan volume by category for the past two years.

### INVESTMENT SECURITIES

At December 31, 2001 total investment securities were \$136.0 million, up 10% from \$123.3 million on December 31, 2000. The goal of the Company is to provide maximum return on the investment portfolio within the framework of its asset/liability objectives. These objectives include managing interest sensitivity, liquidity and pledging requirements.

### DEPOSITS

At December 31, 2001, total deposits amounted to \$412.3 million, up 10% from \$374.8 million on December 31, 2000. Non-interest bearing deposits increased \$14.9 million, or 23%, at year-end 2001 over 2000. Savings deposits increased \$13.2

million, or 10%, in 2001 over 2000. Certificates of Deposit increased \$9.4 million or 5% in 2001 over 2000.

### STOCKHOLDERS' EQUITY

Total stockholders' equity as of December 31, 2001 was \$50.9 million, up 9% from \$46.5 million on December 31, 2000. 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

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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 2001, 2000 and 1999.

|                 | 2001                    | 2001   | 2000   | 1999   |
|-----------------|-------------------------|--------|--------|--------|
|                 | Regulatory Requirements |        |        |        |
| Tier 1          | 4.00%                   | 13.97% | 13.77% | 14.19% |
| Total Capital   | 8.00%                   | 15.05% | 14.85% | 15.23% |
| Tier 1 Leverage | 3.00%                   | 9.77%  | 9.71%  | 10.08% |

Year-end book value was \$19.58 in 2001 and \$17.95 in 2000. Cash dividends were \$1.6 million, or \$.62 per share in 2001 and \$1.5 million, or \$.58 per share in 2000. The common stock of the Company has not been extensively traded. The table below shows the high and low closing prices for each quarter of 2001 and 2000. The stock is quoted on the Nasdaq Small Cap under the symbol "OPOF" and the prices below are based on trade information. There were 1409 stockholders of the Company as of December 31, 2001. 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 2001 and 2000.

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|             | 2001     |              |         | 2000     |              |         |
|-------------|----------|--------------|---------|----------|--------------|---------|
|             | Dividend | Market Value |         | Dividend | Market Value |         |
|             |          | High         | Low     |          | High         | Low     |
| 1st Quarter | \$ 0.15  | \$22.56      | \$17.00 | \$ 0.14  | \$20.50      | \$15.50 |
| 2nd Quarter | \$ 0.15  | \$22.60      | \$20.00 | \$ 0.14  | \$20.00      | \$18.81 |
| 3rd Quarter | \$ 0.16  | \$26.00      | \$21.85 | \$ 0.15  | \$20.50      | \$17.50 |
| 4th Quarter | \$ 0.16  | \$29.00      | \$24.25 | \$ 0.15  | \$19.00      | \$15.50 |

### LIQUIDITY

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

### EFFECTS OF INFLATION

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

Item 8. Financial Statements and Supplementary Data

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

The following are the summarized financial statements of the Company.

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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 subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of income, cash flows and changes in stockholder's equity for each of the years in the three-year period ended December 31, 2001. 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 auditing standards generally accepted in the United States of America. 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 subsidiaries as of December 31, 2001 and 2000, and the consolidated results of their operations and cash flows for each of the years in the three-year period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America.

Eggleston Smith P.C.

January 16, 2002

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Newport News

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CONSOLIDATED BALANCE SHEETS

| December 31,   | 2001                   | 2000       |
|--|------------------------|------------|
|  | (Dollars in Thousands) |            |
| <b>ASSETS</b>  |                        |            |
| Cash and due from banks.....   | \$ 14,786              | 11,044     |
| Investments:   |                        |            |
| Securities available-for-sale, at market.....  | 97,918                 | 77,096     |
| Securities to be held-to-maturity<br>(Market value \$39,622 in 2001 and \$46,083 in 2000).....                   | 38,083                 | 46,241     |
| Federal funds sold.....  | 5,018                  | 5,397      |
| Loans, total.....  | 346,483                | 319,910    |
| Less - allowance for loan losses.....  | 3,894                  | 3,649      |
|  | -----                  | -----      |
| Net loans.....   | 342,589                | 316,261    |
| Premises and equipment.....  | 14,420                 | 15,059     |
| Other real estate owned.....   | 1,003                  | 750        |
| Other assets.....  | 4,942                  | 5,248      |
|  | -----                  | -----      |
| Total assets.....  | \$ 518,759             | \$ 477,096 |
|  | =====                  | =====      |
| <b>LIABILITIES</b>   |                        |            |
| Non interest-bearing deposits.....   | \$ 79,978              | \$ 65,056  |
| Savings deposits.....  | 140,848                | 127,660    |
| Certificates of Deposit.....   | 191,477                | 182,063    |
|  | -----                  | -----      |
| Total deposits.....  | 412,303                | 374,779    |
| Federal funds purchased and securities sold under<br>repurchase agreements.....                                  | 28,321                 | 27,038     |
| Federal Home Loan Bank advances.....   | 25,000                 | 25,000     |
| Interest bearing demand notes issued to the United<br>States Treasury and other liabilities for borrowed money   | 369                    | 2,089      |
| Other liabilities.....   | 1,854                  | 1,693      |
|  | -----                  | -----      |
| Total Liabilities.....   | 467,847                | 430,599    |
| <b>STOCKHOLDERS' EQUITY</b>  |                        |            |
| Common stock, \$5 par value, 10,000,000 shares authorized<br>Issued 2,599,577 in 2001 and 2,590,540 in 2000..... | 12,998                 | 12,953     |
| Capital surplus.....   | 10,455                 | 10,288     |
| Retained earnings.....   | 27,341                 | 23,297     |
| Accumulated other comprehensive income (loss).....   | 118                    | (41)       |
|  | -----                  | -----      |
| Total stockholders' equity.....  | 50,912                 | 46,497     |
|  | -----                  | -----      |
| Total liabilities and stockholders' equity.....  | \$ 518,759             | \$ 477,096 |
|  | =====                  | =====      |

See Notes to Consolidated Financial Statements

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CONSOLIDATED STATEMENTS OF INCOME

| Years Ended December 31,   | 2001     | 2000     | 1999     |
|--|----------|----------|----------|
| Dollars in Thousands except per share amounts)   |          |          |          |
| <b>INTEREST INCOME</b>   |          |          |          |
| Interest and fees on loans.....  | \$27,666 | \$26,351 | \$21,718 |
| Interest on investment securities  |          |          |          |
| Taxable.....   | 4,389    | 4,383    | 4,846    |
| Exempt from income tax.....  | 2,490    | 2,699    | 2,700    |
|  | 6,879    | 7,082    | 7,546    |
| Interest on trading account securities.....  | -        | -        | -        |
| Interest on federal funds sold.....  | 563      | 211      | 219      |
|  | 35,108   | 33,644   | 29,483   |
| <b>INTEREST EXPENSE</b>  |          |          |          |
| Interest on savings deposits.....  | 2,783    | 3,897    | 3,796    |
| Interest on Certificates of Deposit.....   | 10,874   | 9,914    | 8,752    |
| Interest on federal funds purchased and securities<br>sold under repurchase agreements.....                  | 887      | 1,344    | 960      |
| Interest on Federal Home Loan Bank advances.....   | 1,539    | 1,425    | 273      |
| Interest on demand notes issued to the United<br>States Treasury and other liabilities for borrowed money... | 73       | 127      | 81       |
|  | 16,156   | 16,707   | 13,862   |
| Net interest income.....   | 18,952   | 16,937   | 15,621   |
| Provision for loan losses.....   | 1,200    | 625      | 650      |
|  | 17,752   | 16,312   | 14,971   |
| <b>OTHER INCOME</b>  |          |          |          |
| Income from fiduciary activities.....  | 2,738    | 2,460    | 2,306    |
| Service charges on deposit accounts.....   | 2,640    | 2,255    | 2,177    |
| Other service charges, commissions and fees.....   | 746      | 726      | 691      |
| Security gains (losses), net.....  | (1)      | 44       | (54)     |
| Income from trading account.....   | -        | -        | -        |
| Other operating income.....  | 419      | 200      | 266      |
|  | 6,542    | 5,685    | 5,386    |
| <b>OTHER EXPENSE</b>   |          |          |          |
| Salaries and employee benefits.....  | 10,115   | 9,336    | 8,677    |
| Occupancy expense.....   | 1,102    | 1,054    | 967      |
| Equipment expense.....   | 1,620    | 1,492    | 1,294    |
| Other operating expense.....   | 4,013    | 3,775    | 3,382    |
|  | 16,850   | 15,657   | 14,320   |
| Income before income taxes.....  | 7,444    | 6,340    | 6,037    |
| Income taxes.....  | 1,734    | 1,207    | 1,215    |
| Net income.....  | \$ 5,710 | \$ 5,133 | \$ 4,822 |
| <b>Basic Earnings per Share</b>  |          |          |          |
| Average shares outstanding (in thousands).....   | 2,594    | 2,587    | 2,579    |
| Net income per share of common stock.....  | \$ 2.20  | \$ 1.98  | \$ 1.87  |

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|  |         |         |         |
|--|---------|---------|---------|
| Diluted Earnings per Share                     |         |         |         |
| Average shares outstanding (in thousands)..... | 2,612   | 2,588   | 2,588   |
| Net income per share of common stock.....      | \$ 2.19 | \$ 1.98 | \$ 1.86 |

See Notes to Consolidated Financial Statements

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Consolidated Statements of Cash Flows

| Years Ended December 31,  | 2001      | 2000      | 1999      |
|---|-----------|-----------|-----------|
| Dollars in Thousands  |           |           |           |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |           |           |           |
| Net income.....   | \$ 5,710  | \$ 5,133  | \$ 4,822  |
| Adjustments to reconcile net income to net cash provided by operating activities:   |           |           |           |
| Depreciation and amortization.....  | 1,431     | 1,311     | 1,166     |
| Provision for loan losses.....  | 1,200     | 625       | 650       |
| (Gains) losses on sale of investment securities, net.....                           | 1         | (44)      | 54        |
| Net amortization and accretion of securities.....                                   | 45        | 65        | 83        |
| Net (increase) decrease in trading account.....                                     | -         | -         | -         |
| Loss on disposal of equipment.....  | 4         | 41        | 78        |
| (Increase) decrease in other real estate owned.....                                 | (17)      | (396)     | (216)     |
| (Increase) decrease in other assets (net of tax effect of FASB 115 adjustment)..... | 42        | (785)     | 182       |
| Increase (decrease) in other liabilities.....                                       | (193)     | 289       | 188       |
| Net cash provided by operating activities.....                                      | 6,239     | 7,007     | 5,428     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |           |           |           |
| Purchases of investment securities .....  | (50,955)  | (3,041)   | (26,529)  |
| Proceeds from maturities and calls of securities .....                              | 32,099    | 2,295     | 31,315    |
| Proceeds from sales of available - for - sale securities ..                         | 6,923     | 7,285     | 1,346     |
| Proceeds from sales of held - to - maturity securities.....                         | -         | -         | -         |
| Loans made to customers.....  | (124,190) | (109,388) | (121,045) |
| Principal payments received on loans.....   | 96,661    | 71,038    | 74,869    |
| Purchases of premises and equipment.....  | (795)     | (2,087)   | (3,516)   |
| Proceeds from sales of premises and equipment.....                                  | -         | -         | -         |
| Additions to other real estate owned.....   | (713)     | -         | -         |
| Proceeds from sales of other real estate owned.....                                 | 477       | -         | 346       |
| (Increase) decrease in federal funds sold.....                                      | 379       | (5,156)   | 6,337     |
| Net cash provided by (used in) investing activities.....                            | (40,114)  | (39,054)  | (36,877)  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |           |           |           |
| Increase (decrease) in non-interest bearing deposits.....                           | 14,922    | 2,050     | (2,330)   |
| Increase (decrease) in savings deposits.....  | 13,188    | (1,103)   | 7,081     |
| Proceeds from the sale of Certificates of Deposit.....                              | 67,117    | 72,263    | 56,054    |
| Payments for maturing Certificates of Deposit.....                                  | (57,703)  | (59,347)  | (43,300)  |
| Increase (decrease) in federal funds purchased and repurchase agreements.....       | 1,283     | 4,197     | 3,712     |
| Increase (decrease) in Federal Home Loan Bank advances.....                         | -         | 18,000    | 7,000     |
| Increase (decrease) in interest bearing demand notes and other borrowed money.....  | (1,720)   | (1,229)   | 2,969     |
| Proceeds from issuance of common stock.....   | 154       | 129       | 166       |

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|   |           |           |           |
|---|-----------|-----------|-----------|
| Dividends paid.....                                     | (1,608)   | (1,501)   | (1,393)   |
|   | -----     | -----     | -----     |
| Net cash provided by financing activities.....          | 35,633    | 33,459    | 29,959    |
| Net increase (decrease) in cash and due from banks..... | 3,742     | 644       | 89        |
| Cash and due from banks at beginning of period.....     | 11,044    | 10,400    | 10,311    |
|   | -----     | -----     | -----     |
| Cash and due from banks at end of period.....           | \$ 14,786 | \$ 11,044 | \$ 10,400 |

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

|                    |           |           |           |
|--------------------|-----------|-----------|-----------|
| Cash payments for: |           |           |           |
| Interest.....      | \$ 16,406 | \$ 16,382 | \$ 13,702 |
| Income taxes.....  | 1,775     | 1,475     | 1,150     |

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING TRANSACTIONS

|  |          |          |            |
|--|----------|----------|------------|
| Unrealized gain (loss) on investment securities, net of tax..... | \$ 513   | \$ 1,922 | \$ (2,794) |
| Additional minimum liability related to pension.....             | \$ (354) | \$ -     | \$ -       |

See Notes to Consolidated Financial Statements.

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CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

|  | Common<br>Stock<br>(Par Value) | Capital<br>Surplus | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) |
|--|--------------------------------|--------------------|----------------------|--|
| (Dollars in Thousands)   |                                |                    |                      |  |
| YEAR ENDED DECEMBER 31, 1999   |                                |                    |                      |  |
| Balance, beginning of year.....                                      | \$ 12,877                      | \$ 10,020          | \$16,285             | \$ 831   |
| Comprehensive income   |                                |                    |                      |  |
| Net income.....  | -                              | -                  | 4,822                | -  |
| (Decrease) increase in unrealized gain on investment securities..... | -                              | -                  | -                    | (2,794)  |
|  | -----                          | -----              | -----                | -----  |
| Total comprehensive income.....                                      | -                              | -                  | 4,822                | (2,794)  |
| Sale of stock.....   | 39                             | 166                | (39)                 | -  |
| Cash dividends paid.....   | -                              | -                  | (1,393)              | -  |
|  | -----                          | -----              | -----                | -----  |
| Balance, end of year.....  | \$ 12,916                      | \$ 10,186          | \$19,675             | \$ (1,963)   |
|  | =====                          | =====              | =====                | =====  |
| YEAR ENDED DECEMBER 31, 2000   |                                |                    |                      |  |
| Balance, beginning of year.....                                      | \$ 12,916                      | \$ 10,186          | \$19,675             | \$ (1,963)   |
| Comprehensive income   |                                |                    |                      |  |
| Net income.....  | -                              | -                  | 5,133                | -  |
| (Decrease) increase in unrealized gain on investment securities..... | -                              | -                  | -                    | 1,922  |
|  | -----                          | -----              | -----                | -----  |
| Total comprehensive income.....                                      | -                              | -                  | 5,133                | 1,922  |
| Sale of stock.....   | 37                             | 102                | (10)                 | -  |
| Cash dividends paid.....   | -                              | -                  | (1,501)              | -  |
|  | -----                          | -----              | -----                | -----  |



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|   |           |           |          |         |
|---|-----------|-----------|----------|---------|
| Balance, end of year.....   | \$ 12,953 | \$ 10,288 | \$23,297 | \$ (41) |
|   | =====     | =====     | =====    | =====   |
| YEAR ENDED DECEMBER 31, 2001  |           |           |          |         |
| Balance, beginning of year.....   | \$ 12,953 | \$ 10,288 | \$23,297 | \$ (41) |
| Comprehensive income  |           |           |          |         |
| Net income.....   | -         | -         | 5,710    | -       |
| (Decrease) increase in unrealized<br>gain on investment securities..... | -         | -         | -        | 513     |
| Minimum pension liability adjustment                                    | -         | -         | -        | (354)   |
|   | -----     | -----     | -----    | -----   |
| Total comprehensive income.....   | -         | -         | 5,710    | 159     |
| Sale of stock.....  | 45        | 167       | (58)     | -       |
| Cash dividends paid.....  | -         | -         | (1,608)  | -       |
|   | -----     | -----     | -----    | -----   |
| Balance, end of year.....   | \$ 12,998 | \$ 10,455 | \$27,341 | \$ 118  |
|   | =====     | =====     | =====    | =====   |

See Notes to Consolidated Financial Statements

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1.SIGNIFICANT ACCOUNTING POLICIES

-----

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

PRINCIPLES OF CONSOLIDATION:

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

NATURE OF BUSINESS:

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

USE OF ESTIMATES:

The preparation of financial statements in conformity with

generally accepted accounting principles requires management to make estimates and assumptions. The amounts recorded in the financial statements may be affected by those estimates and assumptions. Actual results may vary from those estimates.

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

**INVESTMENT SECURITIES:**

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

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

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

Available-for-sale - Debt and equity securities not classified as either held-to-maturity securities or trading account securities are classified as available-for-sale securities and recorded at fair value, with unrealized gains and losses reported as a component of comprehensive income. Gains and losses on the sale of available-for-sale

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securities are determined using the specific identification method. Premiums and discounts are recognized in interest income using the interest method over the period to maturity.

**INTEREST ON LOANS:**

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

**LOAN ORIGINATION FEES AND COSTS:**

Loan origination fees and certain direct origination costs are capitalized and recognized as an adjustment of the yield on the related loan.

**ALLOWANCE FOR LOAN LOSSES:**

The allowance for loan losses is generated by direct charges

against income and is available to absorb loan losses. The allowance is based upon management's periodic evaluation of changes in the overall credit worthiness of the loan portfolio, economic conditions in general, and the effect of these conditions upon the financial status of specific borrowers and other factors.

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

**OTHER REAL ESTATE OWNED:**

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

**PREMISES AND EQUIPMENT:**

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

**INCOME TAXES:**

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

**PENSION PLAN:**

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

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

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

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**TRUST ASSETS AND INCOME:**

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

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Advertising Expense  
Advertising expenses are expensed as incurred.

RECLASSIFICATIONS:

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

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NOTE 2, Investment Securities

At December 31, 2001, 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, 2001

|  | Amortized<br>Cost | Unrealized<br>Gains<br>(Dollars in Thousands) | Unrealized<br>Losses | M    |
|--|-------------------|---|----------------------|------|
| December 31, 2001:   |                   |   |                      |      |
| United States Treasury securities....                          | \$ 424            | \$ 6  | \$ -                 | \$   |
| Obligations of other United<br>States Government Agencies..... | \$ 36,444         | \$ 1,487                                      | \$ -                 | \$ 3 |
| Obligations of state and political<br>subdivisions.....        | 1,215             | 46  | -                    |      |
|  | -----             | -----   | -----                | ---  |
|  | \$ 38,083         | \$ 1,539                                      | \$ -                 | \$ 3 |
|  | =====             | =====   | =====                | ===  |
| December 31, 2000:   |                   |   |                      |      |
| United States Treasury securities...                           | \$ 499            | \$ 6  | \$ -                 | \$   |
| Obligations of other United<br>States Government Agencies..... | 44,437            | -   | \$ 246               | 4    |
| Obligations of state and political<br>subdivisions.....        | 1,305             | 82  | -                    |      |
|  | -----             | -----   | -----                | ---  |
|  | \$ 46,241         | \$ 88   | \$ (246)             | \$ 4 |
|  | =====             | =====   | =====                | ===  |

The amortized cost and fair values of investment securities available-for-sale at December 31, 20

|  | Amortized<br>Cost | Unrealized<br>Gains<br>(Dollars in Thousands) | Unrealized<br>Losses | M  |
|--|-------------------|---|----------------------|----|
| United States Treasury securities....                          | \$ 1,027          | \$ 62   | \$ -                 | \$ |
| Obligations of other United States<br>Government agencies..... | 42,118            | 487   | (307)                | 4  |
| Obligations of state and political                             |                   |   |                      |    |

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|                                       |                  |                 |                 |             |
|---------------------------------------|------------------|-----------------|-----------------|-------------|
| subdivisions.....                     | 50,827           | 970             | (462)           | 5           |
| Money Market investment.....          | 1,312            | -               | -               |             |
| Federal Home Loan Bank Stock.....     | 1,700            | -               | -               |             |
| Federal Reserve Bank stock.....       | 169              | -               | -               |             |
| Other marketable equity securities... | 50               | -               | (35)            |             |
| Total.....                            | <u>\$ 97,203</u> | <u>\$ 1,519</u> | <u>\$ (804)</u> | <u>\$ 9</u> |
|                                       | =====            | =====           | =====           | =====       |

The amortized cost and fair values of investment securities available-for-sale at December 31, 20

|  | Amortized<br>Cost | Unrealized<br>Gains<br>(Dollars in Thousands) | Unrealized<br>Losses | M           |
|--|-------------------|---|----------------------|-------------|
| United States Treasury securities....                          | \$ 1,036          | \$ 32   | \$ -                 | \$          |
| Obligations of other United States<br>Government agencies..... | 17,266            | 60  | (104)                | 1           |
| Obligations of state and political<br>subdivisions.....        | 53,130            | 656   | (543)                | 5           |
| Adjustable Rate Mortgage Fund.....                             | 3,807             | -   | (133)                |             |
| Federal Home Loan Bank Stock.....                              | 1,700             | -   | -                    |             |
| Federal Reserve Bank stock.....                                | 169               | -   | -                    |             |
| Other marketable equity securities...                          | 50                | -   | (30)                 |             |
| Total.....   | <u>\$ 77,158</u>  | <u>\$ 748</u>                                 | <u>\$ (810)</u>      | <u>\$ 7</u> |
|  | =====             | =====   | =====                | =====       |

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NOTE 2, Investment Securities (Continued)

Investment securities carried at \$51.8 million and \$57.3 million at December 31, 2001 and 2000, 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, 2001 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, 20

Available-For-Sale

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|   | Amortized<br>Cost | Market<br>Value<br>(Dollars in Thou | Am |
|---|-------------------|-------------------------------------|----|
| Due in one year or less.....                | \$ 1,452          | \$ 1,466                            | \$ |
| Due after one year through five years.....  | 52,105            | 52,699                              |    |
| Due after five years through ten years..... | 28,259            | 28,742                              |    |
| Due after ten years.....                    | 12,156            | 11,815                              |    |
|   | -----             | -----                               |    |
| Total debt securities.....                  | 93,972            | 94,722                              |    |
| Other securities without stated maturities. | 3,231             | 3,196                               |    |
|   | -----             | -----                               |    |
| Total investment securities                 | \$ 97,203         | \$ 97,918                           | \$ |
|   | =====             | =====                               | == |

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

|   | 2001                   | 2000     | 1999      |
|---|------------------------|----------|-----------|
|   | (Dollars in Thousands) |          |           |
| Proceeds from sales and<br>maturities of investments..... | \$ 39,022              | \$ 9,580 | \$ 32,661 |
|   | =====                  | =====    | =====     |
| Realized gains.....                                       | \$ 102                 | \$ 44    | \$ -      |
| Realized losses.....                                      | 103                    | -        | 54        |
|   | -----                  | -----    | -----     |
| Net gains (losses).....                                   | \$ (1)                 | \$ 44    | \$ (54)   |
|   | =====                  | =====    | =====     |

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NOTE 3, Loans

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

|                                    | 2001                   | 2000      |
|------------------------------------|------------------------|-----------|
|                                    | (Dollars in Thousands) |           |
| Commercial and other.....          | \$ 51,608              | \$ 62,181 |
| Real estate - construction.....    | 27,056                 | 15,219    |
| Real estate - mortgage.....        | 177,237                | 155,367   |
| Installment loans to individuals.. | 87,625                 | 83,829    |
| Tax exempt loans.....              | 2,957                  | 3,314     |
|                                    | -----                  | -----     |
| Total.....                         | \$346,483              | \$319,910 |
|                                    | =====                  | =====     |

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

|  | 2001                   | 2000   |
|--|------------------------|--------|
|  | (Dollars in Thousands) |        |
| Contractually past due loans -<br>past due 90 days or more and<br>still accruing interest..... | \$ 450                 | \$ 470 |
|  | =====                  | =====  |
| Loans which are in<br>non-accrual status.....  | \$ 351                 | \$ 37  |
|  | =====                  | =====  |

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The Bank has had, and may be expected to have in the future, banking transactions in the ordinary course of business with directors, executive officers, their immediate families, and companies in which they are principal owners (commonly referred to as related parties), on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with others. The aggregate direct and indirect loans of these persons totaled \$2.0 million and \$3.0 million at December 31, 2001 and 2000, 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, 2001.

|                                 | 2001<br>----           | 2000<br>---- |
|---------------------------------|------------------------|--------------|
|                                 | (Dollars in thousands) |              |
| Balance, beginning of year..... | \$ 2,989               | \$ 1,980     |
| Additions.....                  | 5                      | 1,263        |
| Reductions.....                 | (1,191)                | (254)        |
|                                 | -----                  | -----        |
| Balance, end of year.....       | \$ 1,803               | \$ 2,989     |
|                                 | =====                  | =====        |

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:

|                               | 2001                   | 2000     | 1999     |
|-------------------------------|------------------------|----------|----------|
|                               | (Dollars in Thousands) |          |          |
| Balance, beginning of year... | \$ 3,649               | \$ 3,111 | \$ 2,855 |
| Recoveries.....               | 504                    | 665      | 399      |
| Provision for loan losses.... | 1,200                  | 625      | 650      |
| Loans charged off.....        | (1,459)                | (752)    | (793)    |
|                               | -----                  | -----    | -----    |
| Balance, end of year.....     | \$ 3,894               | \$ 3,649 | \$ 3,111 |
|                               | =====                  | =====    | =====    |

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NOTE 5, Premises and Equipment  
-----

At December 31, premises and equipment consisted of:

|                                    | 2001                   | 2000     |
|------------------------------------|------------------------|----------|
|                                    | (Dollars in Thousands) |          |
| Land.....                          | \$ 3,496               | \$ 3,453 |
| Buildings.....                     | 11,335                 | 11,419   |
| Leasehold improvements.....        | 901                    | 805      |
| Furniture, fixtures and equipment. | 9,919                  | 10,144   |
|                                    | -----                  | -----    |
| Total cost.....                    | 25,651                 | 25,821   |
| Less accumulated.....              |                        |          |
| depreciation and amortization....  | 11,231                 | 10,762   |

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|                     |                            |                             |
|---------------------|----------------------------|-----------------------------|
| Net book value..... | -----<br>\$14,420<br>===== | -----<br>\$ 15,059<br>===== |
|---------------------|----------------------------|-----------------------------|

NOTE 6, Other Real Estate Owned  
-----

Other real estate consisted of the following at December 31:

|                             | 2001                   | 2000   |
|-----------------------------|------------------------|--------|
|                             | (Dollars in Thousands) |        |
| Foreclosed real estate..... | \$ 713                 | \$ 460 |
| Property held for sale..... | 290                    | 290    |
|                             | -----                  | -----  |
| Total.....                  | \$ 1,003               | \$ 750 |
|                             | =====                  | =====  |

NOTE 7. Deposits  
-----

The aggregate amount of certificates of deposits in denominations of \$100,000 or more at December 31, 2001 and 2000 was \$45,804,000 and \$40,377,000, respectively.

At December 31, 2001, the scheduled maturities of certificates of deposits are as follows:

| Year       | (Dollars in Thousands) |
|------------|------------------------|
| 2001       | \$ -                   |
| 2002       | 128,487                |
| 2003       | 43,600                 |
| 2004       | 10,628                 |
| 2005       | 5,509                  |
| Thereafter | 3,253                  |
|            | -----                  |
|            | \$191,477              |
|            | =====                  |

NOTE 8, Indebtedness  
-----

The Bank's short-term borrowings include federal funds purchased, securities sold under repurchase agreements (including \$1.7 million and \$1.6 million to directors in 2001 and 2000, respectively) 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 9, Stock Option Plan  
-----

The Company has stock option plans which reserve 242,348 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:



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|                                    | Outstanding<br>Beginning<br>of Year | Granted<br>During<br>the Year | Exercised<br>During<br>the Year | Expired<br>During<br>the Year |
|------------------------------------|-------------------------------------|-------------------------------|---------------------------------|-------------------------------|
| 1999                               |                                     |                               |                                 |                               |
| ----                               |                                     |                               |                                 |                               |
| Shares.....                        | 143,634                             | -                             | (3,620)                         | (2,040)                       |
| Weighted average exercisable price | \$ 29.33                            | \$ -                          | \$ 18.48                        | \$ 30.94                      |
| 2000                               |                                     |                               |                                 |                               |
| ----                               |                                     |                               |                                 |                               |
| Shares.....                        | 137,974                             | 57,000                        | (2,220)                         | (10,870)                      |
| Weighted average exercisable price | \$ 29.60                            | \$ 18.40                      | \$ 18.75                        | \$ 36.29                      |
| 2001                               |                                     |                               |                                 |                               |
| ----                               |                                     |                               |                                 |                               |
| Shares.....                        | 181,884                             | 68,244                        | (5,280)                         | (2,500)                       |
| Weighted average exercisable price | \$ 25.82                            | \$ 24.20                      | \$ 18.51                        | \$ 24.20                      |

At December 31, 2001, exercise prices on outstanding options ranged from \$18.13 to \$41.86 per share and the weighted average remaining contractual life was 7 years.

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NOTE 9, 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:

|                                       | 2001     | 2000    | 1999    |
|---------------------------------------|----------|---------|---------|
| Pro-forma net income (in thousands).. | \$ 5,510 | \$5,112 | \$4,793 |
|                                       | =====    | =====   | =====   |
| Pro-forma earnings per share.....     | \$ 2.11  | \$ 1.98 | \$ 1.85 |
|                                       | =====    | =====   | =====   |

Pro-forma amounts were computed using a 6% risk free interest rate over a 10 year term using an annual dividend rate of between 1.29% and 3.15% 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 18,000 in 2001, 1,000 in 2000 and 9,000 in 1999.

The Company also has an Employee Stock Purchase Plan which reserves 44,970 shares of common stock for eligible employees. The purchase

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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 2001, 9,037 shares of common stock were purchased by employees.

NOTE 10, Income Taxes  
-----

The components of income tax expense are as follows:

|                           | 2001                   | 2000    | 1999    |
|---------------------------|------------------------|---------|---------|
|                           | (Dollars in Thousands) |         |         |
| Currently payable.....    | \$ 1,776               | \$1,302 | \$1,213 |
| Deferred.....             | (42)                   | (95)    | 2       |
|                           | -----                  | -----   | -----   |
| Reported tax expense..... | \$ 1,734               | \$1,207 | \$1,215 |
|                           | =====                  | =====   | =====   |

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

|                                       | 2001                   | 2000     | 1999     |
|---------------------------------------|------------------------|----------|----------|
|                                       | (Dollars in Thousands) |          |          |
| Provision for loan losses.....        | \$ (108)               | \$ (177) | \$ (108) |
| Pension plan expenses.....            | (5)                    | 37       | 34       |
| Deferred loan fees, net.....          | 10                     | 7        | 27       |
| Security gains and losses.....        | (32)                   | 15       | (6)      |
| Interest on certain non-accrual loans | 57                     | 16       | 22       |
| Depreciation.....                     | 36                     | 70       | 38       |
| Foreclosed assets.....                | -                      | (64)     | -        |
| Other.....                            | -                      | 1        | (5)      |
|                                       | -----                  | -----    | -----    |
| Total                                 | \$ (42)                | \$ (95)  | \$ 2     |
|                                       | =====                  | =====    | =====    |

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

|                                       | 2001                   | 2000    | 1999    |
|---------------------------------------|------------------------|---------|---------|
|                                       | (Dollars in Thousands) |         |         |
| Expected tax expense (34%).....       | \$ 2,531               | \$2,156 | \$2,053 |
| Interest expense on tax exempt assets | 118                    | 143     | 128     |
| Tax exempt interest.....              | (912)                  | (1,097) | (967)   |
| Disqualified incentive stock options. | -                      | -       | (14)    |
| Other, net.....                       | (3)                    | 5       | 15      |
|                                       | -----                  | -----   | -----   |
| Reported tax expense.....             | \$ 1,734               | \$1,207 | \$1,215 |
|                                       | =====                  | =====   | =====   |

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NOTE 10, Income Taxes (Continued)  
-----

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

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|  | 2001                   | 2000     |
|--|------------------------|----------|
|  | (Dollars in Thousands) |          |
| Components of Deferred Tax Liability:                          |                        |          |
| Depreciation.....  | \$ (310)               | \$ (287) |
| Accretion of discounts on securities..                         | (19)                   | (16)     |
| Net unrealized (gain) on<br>available-for-sale securities..... | (243)                  | -        |
| Deferred loan fees and costs.....                              | (142)                  | (132)    |
| Pension.....   | (105)                  | (110)    |
|  | -----                  | -----    |
| Deferred tax liability.....                                    | (819)                  | (545)    |
| Components of Deferred Tax Asset:                              |                        |          |
| Allowance for loan losses.....                                 | 1,102                  | 993      |
| Net unrealized loss on<br>available-for-sale securities.....   | -                      | 21       |
| Interest on non-accrual loans.....                             | 53                     | 110      |
| Deferred compensation.....                                     | -                      | -        |
| Foreclosed assets.....   | 64                     | 64       |
| Capital loss carry forward.....                                | 42                     | 7        |
| Trust organizational cost.....                                 | 13                     | -        |
|  | -----                  | -----    |
| Deferred tax asset, net.....                                   | \$ 455                 | \$ 650   |
|  | =====                  | =====    |

NOTE 11, 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, 2000, under noncancellable leases is \$1.3 million which is due as follows:

|                          | Year (Dollars in Thousands) |       |
|--------------------------|-----------------------------|-------|
| 2002                     | \$                          | 293   |
| 2003                     |                             | 199   |
| 2004                     |                             | 302   |
| 2005                     |                             | 120   |
| 2006                     |                             | 52    |
| Remaining term of leases |                             | 229   |
|                          |                             | ----- |
| Total                    | \$                          | 1,195 |
|                          |                             | ===== |

The aggregate rental expense of premises and equipment was \$287 thousand, \$220 thousand and \$219 thousand for 2001, 2000 and 1999 respectively.

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NOTE 12, Pension Plan

The following tables set forth the Pension Plan's changes in benefit obligation, plan assets, funded status, assumptions and the components

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of net periodic benefit cost recognized in the Bank's financial statements at December 31:

|   | Pension Benefits       |          |
|---|------------------------|----------|
|   | 2001                   | 2000     |
|   | -----                  |          |
|   | (Dollars in Thousands) |          |
| Change in benefit obligation  |                        |          |
| Benefit obligation at beginning of year.....                          | \$ 3,230               | \$ 2,711 |
| Service cost.....   | 214                    | 173      |
| Interest cost.....  | 240                    | 215      |
| Actuarial change.....   | -                      | 349      |
| Benefits paid.....  | (151)                  | (218)    |
|   | -----                  | -----    |
| Benefit obligation at end of year.....                                | \$ 3,533               | \$ 3,230 |
|   | =====                  | =====    |
| Change in plan assets   |                        |          |
| Fair value of plan assets at beginning of year..                      | \$ 2,559               | \$ 2,726 |
| Actual return on plan assets.....                                     | (153)                  | (225)    |
| Employer contribution.....  | 287                    | 276      |
| Benefits paid .....   | (151)                  | (218)    |
|   | -----                  | -----    |
| Fair value of plan assets at end of year.....                         | \$ 2,542               | \$ 2,559 |
|   | =====                  | =====    |
| Funded Status.....  | \$ (991)               | \$ (671) |
| Unrecognized prior service cost.....                                  | 15                     | 22       |
| Unrecognized transition obligation.....                               | -                      | (12)     |
| Unrecognized actuarial gains (loss).....                              | 1,286                  | 984      |
|   | -----                  | -----    |
| Prepaid (accrued) benefit cost.....                                   | \$ 310                 | \$ 323   |
|   | =====                  | =====    |
| Amounts recognized in the statement of financial position consist of: |                        |          |
| Prepaid benefit cost.....   | \$ 310                 | \$ 323   |
| Accrued benefit liability.....  | (376)                  | -        |
| Intangible asset.....   | 22                     | -        |
| Accumulated other comprehensive income.....                           | 354                    | -        |
|   | -----                  | -----    |
|   | \$ 310                 | \$ 323   |
|   | =====                  | =====    |

Weighted-average assumptions as of December 31:

|                                     | 2001  | 2000  |
|-------------------------------------|-------|-------|
|                                     | ----- |       |
| Discount rate.....                  | 7.50% | 7.50% |
| Expected return on plan assets..... | 8.00% | 8.00% |
| Rate of compensation increase.....  | 4.50% | 4.50% |

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|  | 2001                   | 2000   | 1999   |
|--|------------------------|--------|--------|
|  | -----                  |        |        |
| Components of net periodic benefit cost    | (Dollars in Thousands) |        |        |
| Service Cost.....                          | \$ 214                 | \$ 173 | \$ 158 |
| Interest cost.....                         | 240                    | 215    | 216    |
| Expected return on plan assets.....        | (203)                  | (216)  | (224)  |
| Amortization of prior service cost.....    | 7                      | 7      | 7      |
| Amortization of transition obligation..... | (12)                   | (13)   | (12)   |
| Amortization of unrecognized loss.....     | 55                     | -      | -      |
|  | -----                  | -----  | -----  |
| Net periodic benefit cost.....             | \$ 301                 | \$ 166 | \$ 145 |
|  | =====                  | =====  | =====  |

NOTE 13, 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 \$280 thousand, \$232 thousand and \$ 246 thousand in 2001, 2000 and 1999 respectively.

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NOTE 14, 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:

|  | 2001                   | 2000     |
|--|------------------------|----------|
|  | -----                  |          |
|  | (Dollars in Thousands) |          |
| Commitments to extend credit:                                    |                        |          |
| Home equity lines of credit.....                                 | \$11,931               | \$11,422 |
| Construction and development<br>loans committed but not funded.. | 18,101                 | 7,625    |
| Other lines of credit<br>(principally commercial).....           | 28,196                 | 44,603   |
|  | -----                  | -----    |
| Total  | \$58,228               | \$63,650 |
|  | =====                  | =====    |
| Irrevocable letters of credit.....                               | \$ 2,539               | \$ 781   |

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

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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 2003. 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.

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NOTE 15, Fair Value of Financial Instruments

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

|   | 2001   |               | 2000                                |
|---|--|---------------|-------------------------------------|
|   | Carrying<br>Amount<br>(Dollars in Thousands) | Fair<br>Value | Carrying<br>Amount<br>(Dollars in T |
| Cash and due from banks.....  | \$ 14,786                                    | \$ 14,786     | \$ 11,044                           |
| Investment securities, held-to-maturity...  | 38,083                                       | 39,622        | 46,241                              |
| Investment securities, available-for-sale.  | 97,918                                       | 97,918        | 77,096                              |
| Federal funds sold.....   | 5,018  | 5,018         | 5,397                               |
| Loans, net of allowances for loan losses..  | 342,589                                      | 348,683       | 316,261                             |
| Deposits:   |  |               |                                     |
| Non-interest bearing deposits.....  | 79,978                                       | 79,978        | 65,056                              |
| Savings deposits.....   | 140,848                                      | 140,848       | 127,660                             |
| Certificates of Deposit.....  | 191,477                                      | 195,302       | 182,063                             |
| Securities sold under repurchase<br>agreement and federal funds purchased....                   | 28,321                                       | 28,321        | 27,038                              |
| Federal Home Loan Bank Advances.....  | 25,000                                       | 29,147        | 25,000                              |
| Interest bearing U.S. Treasury demand<br>notes and other liabilities<br>for borrowed money..... | 369  | 369           | 2,089                               |
| Commitments to extend credit.....   | 58,228                                       | 58,228        | 63,650                              |
| Irrevocable letters of credit.....  | 2,539  | 2,539         | 781                                 |

The above presentation of fair values is required by the Statement of Financial Accounting Standards No. 107 "Disclosures about Market Values of Financial

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Instruments". The fair values shown do not necessarily represent the amounts which would be received on sale or other disposition of the instrument.

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

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

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

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

Federal Home Loan Bank advances are presented at estimated fair value using rates currently offered for advances of similar remaining maturities.

NOTE 16, 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, 2001, 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 13.97% and 15.05%. The Company's leverage ratio at December 31, 2001 was 9.77%.

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 2002, without approval of the Comptroller of the Currency, \$7.0 million plus an additional amount equal to the Bank's retained net profits for 2002 up to the date of any dividend declaration.

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

| As of December 31,<br>Dollars in thousands | 2001     | 2000     |
|--|----------|----------|
| -----                                      |          |          |
| ASSETS                                     |          |          |
| Cash in bank                               | \$ 276   | \$ 225   |
| Investment securities                      | 1,215    | 1,305    |
| Total Loans                                | -        | -        |
| Investment in subsidiary                   | 49,408   | 44,954   |
| Other real estate owned                    | -        | -        |
| Other assets                               | 13       | 13       |
|  | -----    | -----    |
| TOTAL ASSETS                               | \$50,912 | \$46,497 |
|  | =====    | =====    |

LIABILITIES AND

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|   |          |          |
|---|----------|----------|
| STOCKHOLDERS EQUITY                           |          |          |
| Notes payable - bank                          | \$ -     | \$ -     |
| Other liabilities                             | -        | -        |
| Total liabilities                             | -        | -        |
| Stockholders' equity                          | 50,912   | 46,497   |
|   | -----    | -----    |
| TOTAL LIABILITIES AND<br>STOCKHOLDERS' EQUITY | \$50,912 | \$46,497 |
|   | =====    | =====    |

OLD POINT FINANCIAL CORPORATION  
PARENT ONLY  
INCOME STATEMENTS

|   |         |          |         |
|---|---------|----------|---------|
| -----   |         |          |         |
| For the year ended December 31,<br>Dollars in thousands           | 2001    | 2000     | 1999    |
| -----   |         |          |         |
| INCOME  |         |          |         |
| Cash dividends from subsidiary                                    | \$1,700 | \$1,650  | \$1,985 |
| Interest and Fees on Loans  | -       | -        | -       |
| Interest income from<br>investment securities                     | 113     | 123      | 27      |
| Securities gains (losses)   | -       | -        | (54)    |
| Other income  | 144     | 144      | 76      |
|   | -----   | -----    | -----   |
| TOTAL INCOME  | 1,957   | 1,917    | 2,034   |
| EXPENSES  |         |          |         |
| Interest on borrowed money  | -       | -        | -       |
| Other expenses  | 373     | 400      | 47      |
|   | -----   | -----    | -----   |
| TOTAL EXPENSES  | 373     | 400      | 47      |
| Income before taxes and undistributed<br>net income of subsidiary | 1,584   | 1,517    | 1,987   |
| Income tax  | (66)    | (74)     | (7)     |
|   | -----   | -----    | -----   |
| Net income before undistributed<br>net income of subsidiary       | 1,650   | 1,591    | 1,994   |
| Undistributed net income of subsidia                              | 4,060   | 3,542    | 2,755   |
|   | -----   | -----    | -----   |
| NET INCOME  | \$5,710 | \$ 5,133 | \$4,749 |

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OLD POINT FINANCIAL CORPORATION  
PARENT ONLY  
STATEMENT OF CASH FLOWS

|  |      |      |
|--|------|------|
| -----  |      |      |
| For the year ending December 31,<br>Dollars in thousands | 2001 | 2000 |
| -----  |      |      |
| CASH FLOWS FROM OPERATING ACTIVITIES                     |      |      |



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|  |          |          |    |
|--|----------|----------|----|
| Net income (Loss)  | \$ 5,710 | \$ 5,133 | \$ |
| Adjustments to Reconcile Net Income to Net Cash Provided by operating activities:                          |          |          |    |
| Equity in undistributed (earnings) losses of subsidiaries (Gain) or Loss on sales of assets                | (4,060)  | (3,543)  | (  |
| Increase (decrease) in other assets  | -        | 12       |    |
| Increase (decrease) in other liabilities   | -        | -        |    |
|  | -----    | -----    |    |
| Net cash provided (used) by operating activities   | 1,650    | 1,602    |    |
| <br>CASH FLOWS FROM INVESTING ACTIVITIES   |          |          |    |
| Maturity/call of investment securities   | 90       | 100      | (  |
| Sales of available-for-sale securities   | -        | -        |    |
| Payments for investments in and advances to subsidiaries   | (235)    | (165)    | (  |
| Sale or repayment of investments in and advances to subsidiaries (Purchase)/Sale of Premises and Equipment | -        | -        |    |
| Loans to customers   | -        | -        |    |
|  | -----    | -----    |    |
| Net cash provided (used) by investing activities   | (145)    | (65)     | (  |
| <br>CASH FLOWS FROM FINANCING ACTIVITIES   |          |          |    |
| Increase (decrease) in borrowed money  | -        | -        |    |
| Proceeds from issuance of common stock   | 154      | 129      |    |
| Dividends paid   | (1,608)  | (1,501)  | (  |
| Other, net   | -        | -        |    |
|  | -----    | -----    |    |
| Net cash provided (used) by financing activities   | (1,454)  | (1,372)  | (  |
| Net increase in cash and due from banks  | 51       | 165      |    |
| Cash and due from banks at beginning of period   | 225      | 60       |    |
|  | -----    | -----    |    |
| Cash and due from banks at end of period   | \$ 276   | \$ 225   | \$ |

Accounting Rule Changes

-----  
None.

Regulatory Requirements and Restrictions

-----  
For the reserve maintenance period in effect at December 31, 2001, 2000 and 1999 the bank was required to maintain with the Federal Reserve Bank of Richmond an average daily balance totaling approximately \$581 thousand, \$350 thousand and \$350 thousand respectively.

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

None.

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PART III

Item 10. Directors and Executive Officers of the Registrant

The twelve persons named below, all of whom currently serve as directors of the Company, will be nominated to serve as directors until the 2003 Annual Meeting, or until their

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successors have been duly elected and have qualified.

| Name (Age)                   | Director Since (1) | Principal Occupation For Past Five Years   | Amount and Nature of Beneficial Ownership as of March 15, (Percent of Class) |
|------------------------------|--------------------|--|--|
| Dr. Richard F. Clark (69)    | 1981               | Pathologist (retired)<br>Sentara Hampton General Hospital  | 65,369<br>(2.5%)   |
| Russell Smith Evans Jr. (59) | 1993               | Assistant Treasurer and<br>Corporate Fleet Manager<br>Ferguson Enterprises   | 4,650<br>*   |
| G. Royden Goodson, III (46)  | 1994               | President<br>Warwick Plumbing & Heating Corp.  | 8,873<br>*   |
| Dr. Arthur D. Greene (57)    | 1994               | Surgeon - Partner<br>Tidewater Orthopaedic Associates  | 5,319<br>*   |
| Gerald E. Hansen (60)        | 2000               | President<br>Chesapeake Insurance Services, Inc.   | 4,840<br>*   |
| Stephen D. Harris (60)       | 1988               | Attorney-at-Law - Partner<br>Geddy, Harris, Franck & Hickman, L.L.P.   | 11,690<br>*  |
| John Cabot Ishon (55)        | 1989               | President<br>Hampton Stationery  | 18,788<br>*  |
| Eugene M. Jordan (78)        | 1964               | Attorney-at-Law<br>Jordan, Ishon & Jordan, P.C.  | 21,000   |
| John B. Morgan, II (55)      | 1994               | President<br>Morgan Marrow Insurance   | 5,385<br>*   |
| Louis G. Morris (47)         | 2000               | President & CEO<br>Old Point National Bank   | 28,900<br>(1.1%)   |
| Dr. H. Robert Schappert (63) | 1996               | Veterinarian - Owner<br>Beechmont Veterinary Hospital  | 91,740<br>(3.5%)   |
| Robert F. Shuford (64)       | 1965               | Chairman of the Board,<br>President & CEO<br>Old Point Financial Corporation<br>Chairman of the Board<br>Old Point National Bank | 356,058<br>(13.5%)   |

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

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

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- (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. Hansen, 628 shares; Mr. Harris, 417 shares, Mr. Ishon, 7,488 shares; Mr. Jordan, 5,000 shares; Mr. Morgan, 2,985 shares; Dr. Schappert, 81,370 shares; and Mr. Shuford, 75,590 shares.
- (4) Includes shares that may be acquired within 60 days pursuant to the exercise of stock options granted under the 1989 and 1998 Old Point Stock Option Plans - Dr. Clark 2,000, Mr. Evans 2,000, Mr. Goodson 2,000, Dr. Greene 2,000, Mr. Hansen 1,000, Mr. Harris 2,000, Mr. Ishon 2,000, Mr. Jordan 2,000, Mr. Morgan 2,000, Mr. Morris 13,610, Dr. Schappert 2,000, and Mr. Shuford 28,958.
- (5) Mr. Shuford is one of three directors of the VuBay Foundation, a charitable foundation organized under 501(c)(3) of the Internal Revenue Code of 1986, as amended. A majority of the Directors have the power to vote shares of Company common stock owned by the foundation. The foundation owned 193,584 shares of stock as of March 15, 2002. Mr. Shuford disclaims any beneficial ownership of these shares.

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

There were no delinquent Securities and Exchange Commission Form 4 filings during 2001.

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

| Name and (Age)          | Principal Occupation with the Registrant   |
|-------------------------|--|
| Cary B. Epes (53)       | Senior Vice President/Credit<br>Mr. Epes also serves as Executive Vice President and Chief Credit Officer for Old Point National Bank.                   |
| Margaret P. Causby (51) | Senior Vice President/Administration<br>Ms. Causby also serves as Executive Vice President and Chief Administrative Officer for Old Point National Bank. |

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Frank E. Continetti (42) Executive Vice President/Trust  
Mr. Continetti also serves as President  
and Chief Executive Officer for Old  
Point Trust & Financial Services, N.A.

Laurie D. Grabow (44) Senior Vice President/Finance  
Ms. Grabow also serves as Senior Vice  
President and Chief Financial Officer  
for Old Point National Bank.

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

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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 2000 exceeded \$100,000. The table also presents the number and percentages of shares of the Company's common stock held by these executive officers, who are all executive officers of the Company.

SUMMARY COMPENSATION TABLE

| Name and Principal Position                                   | Year | Annual Compensation |           |          | All Other Compensation (3) | Amount of Nature of Beneficial Ownership as of March 15, 2002 (Percent of Class) (4) (5) (6) |
|---|------|---------------------|-----------|----------|----------------------------|--|
|   |      | Salary (1)          | Bonus (2) |          |                            |  |
| Robert F. Shuford,<br>Chairman, President<br>& CEO ( Company) | 2001 | \$158,600           | \$33,000  | \$16,006 | 356,058<br>(13.5%)         |  |
|   | 2000 | \$156,800           | \$27,000  | \$15,519 |                            |  |
|   | 1999 | \$153,500           | \$27,000  | \$17,556 |                            |  |
| Louis G. Morris<br>President & CEO<br>(Bank)                  | 2001 | \$130,600           | \$27,500  | \$10,729 | 28,900<br>(1.1%)           |  |
|   | 2000 | \$129,800           | \$22,500  | \$10,241 |                            |  |
|   | 1999 | \$100,267           | \$18,048  | \$ 9,220 |                            |  |
| Cary B. Epes<br>EVP/CCO (Bank)                                | 2001 | \$107,000           | \$23,540  | \$ 9,329 | 15,635<br>*                |  |
|   | 2000 | \$107,000           | \$19,260  | \$ 8,948 |                            |  |
|   | 1999 | \$ 99,267           | \$17,868  | \$ 9,340 |                            |  |
| Margaret P. Causby<br>EVP/CAO (Bank)                          | 2001 | \$106,000           | \$23,320  | \$ 9,532 | 15,665<br>*                |  |
|   | 2000 | \$106,000           | \$19,080  | \$ 8,863 |                            |  |
|   | 1999 | \$ 97,947           | \$17,630  | \$ 9,004 |                            |  |
| Frank E. Continetti<br>President & CEO<br>OPT&FS, NA          | 2001 | \$103,333           | \$11,160  | \$ 9,112 | 6,256<br>*                 |  |
|   | 2000 | \$102,000           | \$15,000  | \$ 8,511 |                            |  |
|   | 1999 | \$ 83,409           | \$10,759  | \$ 7,724 |                            |  |

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- (1) Salary includes directors' fees as follows: Mr. Shuford - 2001, \$8,600, 2000, \$6,800 and 1999, \$3,900. Mr. Morris - 2001, \$5,600 and 2000, \$4,800. Mr. Continetti - 2001, \$3,500 and 2000, \$2,000.
- (2) Bonus consideration for Mr. Shuford is paid in the year following the year in which the bonus is earned so that the Compensation Committee can evaluate year-end results. Bonus consideration for Mr. Morris, Mr. Epes, Mrs. Causby and Mr. Continetti is paid in the year in which it is earned.
- (3) Mr. Shuford has received other compensation as follows:

|                         | 2001     | 2000     | 1999     |
|-------------------------|----------|----------|----------|
|                         | -----    | -----    | -----    |
| Deferred Profit Sharing | \$ 4,119 | \$ 3,896 | \$ 4,532 |
| Cash Profit Sharing     | 3,823    | 3,559    | 4,210    |
| 401(k) Matching Plan    | 4,500    | 4,500    | 4,488    |
| Group Term Insurance    | 3,564    | 3,564    | 4,326    |
|                         | -----    | -----    | -----    |
| Total                   | \$16,006 | \$15,519 | \$17,556 |

Mr. Morris has received other compensation as follows:

|                         | 2001     | 2000     | 1999     |
|-------------------------|----------|----------|----------|
|                         | -----    | -----    | -----    |
| Deferred Profit Sharing | \$ 3,433 | \$ 3,247 | \$ 3,037 |
| Cash Profit Sharing     | 3,186    | 2,966    | 2,821    |
| 401(k) Matching Plan    | 3,750    | 3,750    | 3,008    |
| Group Term Insurance    | 360      | 278      | 354      |
|                         | -----    | -----    | -----    |
| Total                   | \$10,729 | \$10,241 | \$ 9,220 |

Mr. Epes has received other compensation as follows:

|                         | 2001     | 2000     | 1999     |
|-------------------------|----------|----------|----------|
|                         | -----    | -----    | -----    |
| Deferred Profit Sharing | \$ 2,939 | \$ 2,779 | \$ 3,007 |
| Cash Profit Sharing     | 2,727    | 2,539    | 2,793    |
| 401(k) Matching Plan    | 3,210    | 3,210    | 2,978    |
| Group Term Insurance    | 453      | 420      | 562      |
|                         | -----    | -----    | -----    |
| Total                   | \$ 9,329 | \$ 8,948 | \$ 9,340 |

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Mrs. Causby has received other compensation as follows:

|                         | 2001     | 2000     | 1999     |
|-------------------------|----------|----------|----------|
|                         | -----    | -----    | -----    |
| Deferred Profit Sharing | \$ 2,911 | \$ 2,753 | \$ 2,967 |
| Cash Profit Sharing     | 2,701    | 2,516    | 2,756    |
| 401(k) Matching Plan    | 3,180    | 3,180    | 2,938    |

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|                      |          |          |          |
|----------------------|----------|----------|----------|
| Group Term Insurance | 740      | 414      | 343      |
|                      | -----    | -----    | -----    |
| Total                | \$ 9,532 | \$ 8,863 | \$ 9,004 |

Mr. Continetti has received other compensation as follows:

|                         | 2001     | 2000     | 1999     |
|-------------------------|----------|----------|----------|
|                         | -----    | -----    | -----    |
| Deferred Profit Sharing | \$ 2,838 | \$ 2,598 | \$ 2,527 |
| Cash Profit Sharing     | 2,634    | 2,373    | 2,347    |
| 401(k) Matching Plan    | 3,100    | 3,000    | 2,502    |
| Group Term Insurance    | 540      | 540      | 348      |
|                         | -----    | -----    | -----    |
| Total                   | \$ 9,112 | \$ 8,511 | \$ 7,724 |

- (4) 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 60 days.
- (5) Include shares held (1) by their joint relative or held jointly with their spouses, (2) as custodian or trustee for the benefit of their children or others, (3) as attorney-in-fact subject to a general power of attorney-Mr. Shuford, 75,590 shares.
- (6) Include shares that may be acquired within 60 days pursuant to the exercise of stock options granted under the 1989 and 1998 Old Point Stock Option Plans-Mr. Shuford 28,958 shares, Mr. Morris 13,610 shares, Mr. Epes 13,730 shares, Mrs. Causby 13,830 shares and Mr. Continetti, 5,700 shares.

### Item 12. Security Ownership of certain Beneficial Owners and Management

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

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### Item 13. Certain Relationships and Related Transactions

Some of the Company's directors, executive officers, and members of their immediate families, and corporations, partnerships and other entities of which such persons are officers, directors, partners, trustees, executors or beneficiaries, are customers of the Bank. As of December 31, 2001 borrowing by all policy making officers and directors amounted to \$2.0 million. This represented 3.5% of the total equity capital accounts of the Company as of December 31, 2001. 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

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executive officers and to employees at more favorable rates than those prevailing at the time for comparable transactions with other persons. These loans do not involve more than the normal risk of collectibility or present other unfavorable features.

The law firm of Troutman Sanders Mays & Valentine L.L.P. serves as legal counsel to the Company. Jordan, Ishon & Jordan serve as legal counsel to the Bank and Trust Company. Mr. Eugene M. Jordan is a member of the firm. During 2001, the firm received a retainer and fees totaling \$50,588. Morgan Marrow Insurance of which John B. Morgan, II is President, provided insurance for which the Company paid \$232,228 during 2001. The 2001 amount paid includes \$179,207 in three premiums for coverage through 2003. Hampton Stationery, of whom John Cabot Ishon is President, Geddy, Harris, Franck & Hickman L.L.P. of which Stephen D. Harris is a partner, and Warwick Plumbing & Heating Corp. of which G. Royden Goodson, III is President provide products and services to the Company.

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### 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, 2001 and 2000  
Consolidated Statements of Income  
Years Ended December 31, 2001, 2000 and 1999  
Consolidated Statements of Changes in Stockholders' Equity  
Years Ended December 31, 2001, 2000 and 1999  
Consolidated Statements of Cash Flows  
Years Ended December 31, 2001, 2000 and 1999  
Notes to Financial Statements  
Auditor's Report

##### A.2 Financial Statement Schedules:

| Schedule   | Location        |
|--|-----------------|
| Average Balance Sheets, Net Interest<br>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 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  |
| Selected Financial Data                                  | Part II, Item 6 |
| Capital Ratios   | Part II, Item 7 |
| Dividends Paid and Market Price of<br>Common Stock       | Part II, Item 7 |

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|  |                   |
|--|-------------------|
| Investment Securities                                      | Part II, Item 8   |
| Proceeds from sales and maturities of securities           | Part II, Item 8   |
| Premises and Equipment                                     | Part II, Item 8   |
| Other Real Estate Owned                                    | 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   |
| Lease Commitments  | 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 |

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### 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                                      |
| 21 | Subsidiaries of the Registrant                      |
| 23 | Not Applicable                                      |
| 23 | Consent of Independent Certified Public Accountants |
| 24 | Powers of Attorney                                  |
| 27 | Not Applicable                                      |
| 28 | Not Applicable                                      |
| 29 | Not Applicable                                      |

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

No reports on Form 8-K were filed during 2001.

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### INDEX OF EXHIBITS

#### Exhibit No.

|    |  |
|----|--|
| 3  | Articles of Incorporation and Bylaws<br>(incorporated by reference from our Annual Report on Form 10-K for the year ended 1998 (File No. 000-12896)) |
| 4  | Not Applicable   |
| 9  | Not Applicable   |
| 10 | Not Applicable   |
| 11 | Not Applicable   |
| 12 | Not Applicable   |
| 13 | Not Applicable   |



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18 Not Applicable  
19 Not Applicable  
21 Subsidiaries of the Registrant  
23 Not Applicable  
23 Consent of Independent Certified  
Public Accountants  
24 Powers of Attorney  
27 Not Applicable  
28 Not Applicable  
29 Not Applicable

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Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on the 28th day of March, 2002.

OLD POINT FINANCIAL CORPORATION

/s/Robert F. Shuford

-----  
Robert F. Shuford, President

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in their capacities on the 28th day of March, 2002.

/s/Robert F. Shuford

-----  
Robert F. Shuford

President and Director  
Principal Executive Officer

/s/Laurie D. Grabow

-----  
Laurie D. Grabow

Senior Vice President  
Principal Financial & Accounting  
Officer

/s/Richard F. Clark

-----  
Richard F. Clark

Director

/s/Russell S. Evans, Jr.

-----  
Russell S. Evans, Jr.

Director

/s/G. Royden Goodson, III

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|  |          |
|--|----------|
| -----<br>Royden G. Goodson, III                                | Director |
| /s/Dr. Arthur D. Greene<br>-----<br>Arthur D. Green            | Director |
| /s/Gerald E. Hansen<br>-----<br>Gerald E. Hansen               | Director |
| /s/Stephen D. Harris<br>-----<br>Stephen D. Harris             | Director |
| /s/John Cabot Ishon<br>-----<br>John Cabot Ishon               | Director |
| /s/Eugene M. Jordan<br>-----<br>Eugene M. Jordan               | Director |
| /s/Louis G. Morris<br>-----<br>Louis G. Morris                 | Director |
| /s/John B. Morgan<br>-----<br>John B. Morgan                   | Director |
| /s/Dr. H. Robert Schappert<br>-----<br>Dr. H. Robert Schappert | Director |