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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
ASSETS						
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		
LIABILITIES AND STOCKHOLDERS' EQUITY						
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
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*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 Due to change in:			Year 2000 over 1999 Due to change in:		
	Average Volume	Average Rate	Net Increase (Decrease)	Average Volume	Average Rate	Net Increase (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 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 sold under agreement to repurchase 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 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 Dollars in thousands	Within 3 Months	4-12 Months	1-5 Years	Over 5 Years
Uses of funds				
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.....	<u>10,418</u>	<u>6,513</u>	<u>82,316</u>	<u>41,772</u>
Loans:				
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.....	<u>71,656</u>	<u>15,090</u>	<u>196,204</u>	<u>63,533</u>
Total earning assets.....	\$ 82,074	\$ 21,603	\$ 278,520	\$105,305
Sources of funds				
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 sold under agreements to repurchase & FHLB advances.....	28,321	-	5,000	20,000
Other borrowed money.....	369	-	-	-
Total interest bearing liabilities.....	<u>\$ 206,871</u>	<u>\$ 100,096</u>	<u>\$ 59,033</u>	<u>\$ 20,015</u>
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, 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 Dollars in thousands	One year or less	One through five years	Over five 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, Dollars in thousands	2001	2000	1999	1998	1997
Nonaccrual loans	\$ 351	\$ 37	\$ 514	\$ 253	\$ 660
Accruing loans past due 90 days or more	450	470	1,351	641	455
Restructured loans	none	none	none	none	none
Interest income which would have been 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, 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 to repurchase	28,321	1.67%	27,038	5.20%	20,441	4.38%
U. S. treasury demand notes 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 to repurchase	26,252	3.38%	24,511	5.10%	20,794	4.42%
U. S. treasury demand notes 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 to repurchase	\$ 28,546	\$ 28,530	\$ 22,013
U. S. treasury demand notes 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)				
RESULTS OF OPERATIONS				
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
FINANCIAL CONDITION				
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
PERTINENT RATIOS				
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.
PER SHARE DATA				
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.
GROWTH RATES				
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)	
ASSETS		
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 (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
	=====	=====
LIABILITIES		
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 repurchase agreements.....	28,321	27,038
Federal Home Loan Bank advances.....	25,000	25,000
Interest bearing demand notes issued to the United States Treasury and other liabilities for borrowed money	369	2,089
Other liabilities.....	1,854	1,693
	-----	-----
Total Liabilities.....	467,847	430,599
STOCKHOLDERS' EQUITY		
Common stock, \$5 par value, 10,000,000 shares authorized 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)			
INTEREST INCOME			
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
INTEREST EXPENSE			
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 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 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
OTHER INCOME			
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
OTHER EXPENSE			
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
Basic Earnings per Share			
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			
CASH FLOWS FROM OPERATING ACTIVITIES			
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
CASH FLOWS FROM INVESTING ACTIVITIES			
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)
CASH FLOWS FROM FINANCING ACTIVITIES			
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 Stock (Par Value)	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive 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 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 Cost	Unrealized Gains (Dollars in Thousands)	Unrealized Losses	M
December 31, 2001:				
United States Treasury securities....	\$ 424	\$ 6	\$ -	\$
Obligations of other United States Government Agencies.....	\$ 36,444	\$ 1,487	\$ -	\$ 3
Obligations of state and political subdivisions.....	1,215	46	-	
	-----	-----	-----	---
	\$ 38,083	\$ 1,539	\$ -	\$ 3
	=====	=====	=====	===
December 31, 2000:				
United States Treasury securities...	\$ 499	\$ 6	\$ -	\$
Obligations of other United States Government Agencies.....	44,437	-	\$ 246	4
Obligations of state and political subdivisions.....	1,305	82	-	
	-----	-----	-----	---
	\$ 46,241	\$ 88	\$ (246)	\$ 4
	=====	=====	=====	===

The amortized cost and fair values of investment securities available-for-sale at December 31, 2001

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

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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 Cost	Unrealized Gains (Dollars in Thousands)	Unrealized Losses	M
United States Treasury securities....	\$ 1,036	\$ 32	\$ -	\$
Obligations of other United States Government agencies.....	17,266	60	(104)	1
Obligations of state and political 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 Cost	Market Value (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 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 - past due 90 days or more and still accruing interest.....	\$ 450	\$ 470
	=====	=====
Loans which are in 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 ----	2000 ----
	(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.....	\$14,420	\$ 15,059
	=====	=====

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 Beginning of Year	Granted During the Year	Exercised During the Year	Expired During 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 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 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 loans committed but not funded..	18,101	7,625
Other lines of credit (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 Amount (Dollars in Thousands)	Fair Value	Carrying Amount (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: