Old Point Financial Corporation

(OPOF – NASDAQ GLOBAL MARKET)

5003 Falls of Neuse Road

Raleigh
North Carolina
27609

919-876-8868 ph

www.equityresearch.com

John A. (Buddy) Howard, CFA

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Price:	$28.65	**EPS ***	**2016A:**	$ 0.77	**P/E**	**2016A:**	37.2 x
52 Wk. Range:	$24.07 - $34.64	(FY: DEC)	**2017A:**	$ (0.01)		**2017A:**	NMF
Div/Div Yld:	$0.44 / 1.5%		**2018E:**	$ 0.83		**2018E:**	34.5 x
Shrs/Mkt Cap:	5.2 mm / $148 mm	**Book Value:***		$ 19.21	**Price/Book Value:**		1.49 x

* EPS are diluted. 2017 EPS includes multiple non-operating items. 2018 EPS includes $0.13 in merger-related costs.

** Tangible book value is $18.77 per share.

SYMBOL: OPOF

ASSETS: $1.0 BB

HQ: HAMPTON, VA

INVESTOR RELATIONS CONTACT:
JEFF FARRAR
(757) 728-1428

MEDIA CONTACT:
LAURA WRIGHT
(757) 728-1743

Background

Old Point Financial Corporation (“the Company” or “Old Point”) is a Hampton, Virginia-based bank holding company with two bank subsidiaries, The Old Point National Bank of Phoebus (“Old Point National Bank”) and Old Point Trust & Financial Services, N.A. (“Old Point Trust”). As of June 30, 2018, the Company had total assets of approximately $1.0 billion and was serving the Hampton, Newport News, Williamsburg/James City County, Norfolk, Chesapeake, Virginia Beach and Isle of Wight County areas through 18 active branch offices. Through Old Point National Bank, the Company offers a broad range of banking services to retail and commercial customers, including mortgage and insurance. Through Old Point Trust, the Company provides a full range of trust services, including retirement, estate, tax and financial planning and investment management services. The Company's stock trades on the Nasdaq Global Market under the symbol “OPOF.”

2ND QUARTER HIGHLIGHTS:

CITIZENS ACQUISITION WAS COMPLETED

EARNINGS WERE IMPACTED BY SEVERAL NONRECURRING ITEMS IN BOTH PERIODS

Second Quarter Core Earnings Were Strong; Acquisition of Citizens Was Completed

The second quarter of 2018 was a significant one for Old Point. First, the Company reported solid core financial results. Although reported earnings were lower than in the year-ago quarter, that shortfall is more than explained by nearly $480,000 in merger related expenses in 2018’s second quarter (related to the April 1, 2018 acquisition of Citizens National Bank of Windsor), as well as a $550,000 merger-related *gain* in the year-ago quarter relating to the purchase of Old Point Mortgage. If we exclude the effects of these, as well as non-core items and volatile credit-related charges, we see that the core operating comparisons were significantly positive. Balance sheet growth was also strong in the quarter, much of which was due to the addition of Citizens, and asset quality also held up reasonably well. The second aspect of the quarter that made it significant was the completion of the transaction with Citizens. We view this acquisition as a great springboard from which the Company can begin a more robust external expansion program, particularly given pricing anomalies in today’s banking markets, as is discussed more fully on the opposite page.

REPORTED EPS: $0.19 VS. $0.23

PRETAX CORE EARNINGS BEFORE CREDIT-RELATED ITEMS INCREASED ABOUT 28%

NET INTEREST INCOME INCREASED 14%

Reported net income in the second quarter of 2018 was $992,000, or $0.19 per diluted share, as compared to $1,161,000, or $0.23 per diluted share, in the year-ago quarter. As was stated above, if we exclude all of the non-core and the volatile credit-related expenses like the provision and foreclosed asset expense, we see that the pretax adjusted earnings were up about 28% to $2,180,000 in 2018’s second quarter from $1,704,000 in the year-ago quarter. The strength in the operating results was largely due to strong net interest income, which grew 14% to $8,426,000 in the second quarter of 2018, versus $7,388,000 in the year-ago

Pretax, Pre-Prov. Core Earns. ($000s)	Q2 17	Q1 18	Q2 18
Pretax Income	1,209	946	1,057
Adjustments:			
Provision	1,000	525	575
Merger Related Expenses	-	205	502
Acquisition Gain	(550)		
Retirement Charge	150		
Security Losses (Gains) & Impair.	(87)	(80)	(40)
OREO Losses (Gains)	(18)		86
Pretax Inc. Bef. Unusual Items	1,704	1,596	2,180

AVERAGE EARNING ASSETS INCREASED 11%

CORE NONINTEREST INCOME GREW 4%

quarter. Essentially all of that increase from the year-ago level was volume based (as opposed to coming from a higher margin), although we would note that the margin did show significant improvement from the linked first quarter of 2018. Earnings also benefitted from a drop in the provision to $675,000 in 2018's second quarter from a year-ago level of $1,000,000, thanks to the strength of the reserve position and favorable asset quality metrics. Noninterest income, excluding nonrecurring items, increased 4% to $3,607,000 in 2018's second quarter from $3,454,000 in the year-ago quarter. Finally, noninterest expense, excluding merger-related and foreclosed asset expenses, increased 6% to $9,853,000 in the second quarter of 2018 from $9,288,000 in the year-ago quarter.

FIRST HALF HIGHLIGHTS:

EPS: $0.38 VS. $0.42

PRETAX CORE EARNINGS BEFORE CREDIT CHARGES WAS UP 14%

Core earnings for the first half of 2018 were likewise strong. Reported earnings for the six months ended June 30, 2018 were $1,934,000, or $0.38 per diluted share, as compared to $2,103,000, or $0.42 per diluted share, in the year-ago period. Pretax earnings before nonrecurring items and credit related charges (using a similar analysis as on the previous page) were up about 14%. Balance sheet growth was commendable, with loans up 14% and assets and deposits increasing 8% over the past year. The Company remains well capitalized, with shareholders' equity of $99.3 million at June 30, 2018, or 9.62% of assets. The tangible equity-to-tangible assets ratio was 9.44% as of the same date.

Old Point's Acquisition Opportunities Are Enhanced Due to Valuation/Size Differences

OLD POINT HAS AN EXCELLENT OPPORTUNITY TO GROW THROUGH ACQUISITION

THE DIFFERENCES IN PRICING IS FAIRLY SIGNIFICANT

One of the aspects of the Citizens transaction that we find intriguing is that it builds the internal capabilities at Old Point to execute on and integrate acquisitions. There is an attractive "arbitrage" opportunity for larger community banks like Old Point to acquire smaller institutions given the price disparities that exist. In Virginia, for example, there are more than 50 banks that are publicly traded, and many more that are private. For those public banks with less than $250 million in assets, their stocks generally trade at a slight premium to book value, whereas larger institutions, such as Old Point, tend to trade at much higher multiples, as seen in the adjacent table. Granted, this refers to public market valuations, but the same phenomenon generally holds true in M&A transactions: the smaller bank deals tend to occur at lower multiples. Moreover, while a superregional or megabank would have a hard time justifying purchasing a $250 million bank because it would not be material, a $1 billion bank like Old Point can justify that allocation of corporate resources. From the selling bank's standpoint, the benefits of a stock based deal with Old Point can be quite compelling: the selling bank's shareholders get better liquidity, a stable and growing dividend, greater diversification (not only geographically but also in terms of banking services) and a solid opportunity for growth.

Public Banks in VA - Median Pricing Multiples By Asset Size	< $250 MM	$249 MM to $750 MM	$750 MM to $3 BB
Price/LTM EPS	16.3	16.9	21.0
Price/Book Value	1.11	1.30	1.54
Price/Tangible Book Value	1.11	1.30	1.68

THE ARGUMENT TO A SMALL BANK'S SHAREHOLDERS CAN BE QUITE COMPELLING:

- GREATER LIQUIDITY
- STABLE AND GROWING DIVIDEND
- DIVERSIFICATION
- OPPORTUNITY FOR GROWTH

Asset Quality Remains Sound

NPAS/ASSETS: 1.59%

RESERVES/GROSS LOANS: 1.28%

Nonperforming assets increased from the year-ago date, but declined slightly compared to March 31, 2018. NPAs (which exclude performing restructured loans) totaled $16.4 million, or 1.59% of total assets, at June 30, 2018, compared to $16.5 million, or 1.66% of assets at March 31, 2018, and $14.9 million, or 1.58% of total assets, at June 30, 2017. Approximately $1.9 million of loans more than 90 days past due were student loans that are at least 97% government guaranteed. The allowance for loan losses totaled $9.9 million, or 1.28% of total loans, at June 30, 2018, up from $8.7 million, or 1.28% of total loans, at the year-ago date.

Projections

EPS:*
2016A: $0.77
2017A: $(0.01)
2018E: $0.83 (INCLUDES $0.13 IN NONRECURRING MERGER CHARGES)

* 2017 EPS INCLUDES MULTIPLE NON-OPERATING ITEMS

For the year 2018, we are projecting Old Point will earn $4.3 million, or $0.83 per diluted share, which includes $0.13 in merger-related expenses. These projections are subject to wide variation and could increase or decrease significantly based on changing conditions.

ADDITIONAL INFORMATION UPON REQUEST