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Old Point Financial Corporation

(OPOF – NASDAQ GLOBAL MARKET)

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Price:	$25.68	**EPS ***	**2017A:**	$(0.01)	**P/E**	**2017A:**	NMF
52 Wk. Range:	$24.07 - $32.00	(FY: DEC)	**2018E:**	$ 1.05		**2018E:**	24.5 x
Div/Div Yld:	$0.44 / 1.7%		**2019E:**	$ 1.18		**2019E:**	21.8 x
Shrs/Mkt Cap:	5.2 mm / $133 mm	**Book Value:***		$ 19.22	**Price/Book Value:**		1.34 x

* EPS are diluted. 2017 EPS includes multiple non-operating items. 2018 EPS includes $0.14 in merger-related costs.

** Tangible book value is $18.82 per share.

SYMBOL: OPOF

ASSETS: $1.0 BB

HQ: HAMPTON, VA

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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 September 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."

3RD QUARTER HIGHLIGHTS:

RESULTS WERE MUCH BETTER THAN EXPECTED

EPS: $0.31 VS. $0.15

SOLID EXPENSE CONTROL WAS EVIDENT IN THE QUARTER

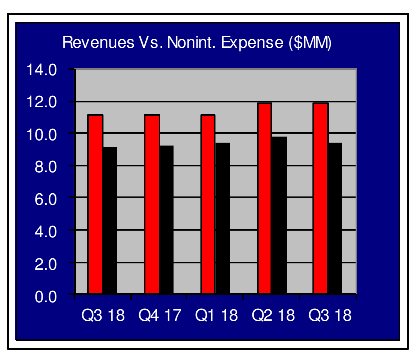
THE COMBINATION OF SOLID REVENUE GROWTH WITH THE SOLID COST CONTROL LED TO A NICE EXPANSION IN PROFITABILITY

NET INTEREST INCOME INCREASED 10%

Third Quarter Earnings Significantly Exceeded Our Projections; EPS More Than Doubled

Old Point reported excellent results in the third quarter of 2018 that were much better than anticipated. While many of the income statement figures were in line with what we had modeled, expenses were a good bit lower than anticipated, reflecting management's ongoing cost reduction initiatives. Based on the strength of the quarter, we are boosting our projection for the year. Balance sheet wise, it was a pretty good quarter as well, with most major balance sheet items growing in the upper single digits relative to the year-ago level, although linked quarterly growth did moderate. With auto dealer loan originations slowing (as was expected), we anticipate balance sheet growth to be in the mid-single digits in coming quarters. Finally, asset quality remained fairly stable. While nonperforming assets increased relative to the year-ago and linked quarters, the allowance increased over those periods as well.

Net income in the third quarter of 2018 was $1,597,000, or $0.31 per diluted share, as compared to $757,000, or $0.15 per diluted share, in the year-ago quarter. The strength in the results was mainly attributable to higher net interest income, as well as a drop in the provision for loan losses, the latter reflecting relatively stable asset quality and a strong reserve position at the Bank. Specifically, net interest income grew 10% to $8,515,000 in the third quarter of 2018, versus $7,731,000 in the year-ago quarter. Margins held up well, decreasing only one basis point to 3.67% in 2018's third quarter from 3.68% in the year-ago quarter. The combination of the strong increase in net interest income, along with 7% growth in noninterest income led to a solid revenue increase of 9%, the trend of which can be seen in the red bar of the adjacent chart. Another aspect of the quarter that we were impressed by was expense containment, shown in the black bars in the



NONINTEREST EXPENSE EXCLUDING MERGER-RELATED EXPENSES GREW 5% FROM THE YEAR-AGO QUARTER BUT *DECLINED* 3% FROM THE LINKED SECOND QUARTER OF 2018

EARNINGS ALSO BENEFITTED FROM A DROP IN THE PROVISION, REFLECTING FAIRLY STABLE NPAS AND A SOLID RESERVE POSITION

adjacent chart. Noninterest expense, excluding merger related expenses, was only up 5% from the year-ago quarter but actually *declined* 3% from the linked second quarter of 2018, with most major categories of expenses decreasing. The ability of management to quickly integrate Citizens National's operation and to realize economies bodes well for external growth opportunities in the future. The efficiency ratio in the quarter was 78.7%, an improvement from 80.2% in the year-ago quarter. Although that is still somewhat higher than many banks its size, service oriented banks like Old Point that offer Trust and wealth management services often have elevated efficiency ratios. If we exclude the Trust operation (which is obviously a very valuable part of the Company), then Old Point's resulting efficiency ratio would have been about one percentage point lower in the most recent quarter. Finally, we would note that the provision for loan losses was $749,000 in 2018's third quarter, down from a year-ago level of $1,275,000.

FIRST NINE MONTHS HIGHLIGHTS:

EPS: $0.69 VS. $0.57

BALANCE SHEET GROWTH BENEFITTED FROM THE INCLUSION OF CITIZENS NATIONAL

Earnings growth on a year-to-date basis was likewise quite good. Net income for the nine months ended September 30, 2018 was $3,531,000, or $0.69 per diluted share, as compared to $2,860,000, or $0.57 per diluted share, in the year-ago period. As was stated earlier, balance sheet growth was commendable. Gross loans were up 11%, assets increased 7% and deposits grew 8% over the past year, with most of this increase due to the Citizens National acquisition. The capital position remains excellent, with shareholders' equity of $99.6 million at September 30, 2018, or 9.71% of assets. The tangible equity-to-tangible assets ratio was 9.54% as of the same date.

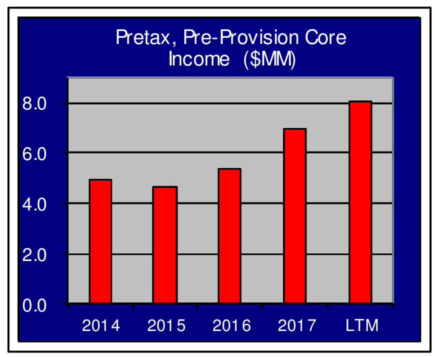
Long Term Trends Remain Favorable As Well

PRETAX, PRE-PROVISION CORE EARNINGS ARE UP 66% FROM FIVE YEARS AGO

THE STOCK HAS PERFORMED WELL OVER THE PAST FIVE YEARS

THE RECENT PULLBACK IN THE SHARES HAS LED TO A MORE COMPELLING VALUE FROM A LONG-TERM INVESTMENT PERSPECTIVE

Although nonrecurring items (such as a $3.4 million charge relating to the termination of a defined benefit plan last year, deferred tax charges and merger-related expenses), as well as a varying provision have led to some variability in net income, Old Point's long-term trend in core earnings is clearly positive, as can be seen in the adjacent table. Specifically, the pretax, pre-provision core income for the Company totaled more than $8.0 million in the latest 12 months, an increase of 66% from the level in 2014. The stock also performed well over the past five years (from 11/15/13 to 11/15/18), as it appreciated 97%, nearly double the 51% appreciation of the KBW Bank Index. (OPOF's total return, including dividends, was 116% over this period.) One point we would note is that the shares have recently pulled back a bit, which may be partly attributable to selling pressure from former Citizens National shareholders, who had limited liquidity in their former investment. As a result of the pullback, the shares are trading at a much more compelling value, particularly from a long-term perspective.



NPAs Increased But Reserve Position Appears Strong

NPAS/ASSETS: 1.70%

RESERVES/GROSS LOANS: 1.31%

Nonperforming (which exclude performing restructured loans) at September 30, 2018 totaled $17.5 million, or 1.70% of assets, versus $16.4 million, or 1.59% of total assets, at June 30, 2018, and $14.2 million, or 1.49% of total assets, at September 30, 2017. Approximately $2.4 million of loans more than 90 days past due were government guaranteed student and small business loans. The allowance for loan losses totaled $10.2 million, or 1.31% of total loans, at September 30, 2018, up from $8.9 million, or 1.28% of total loans, at the year-ago date.

Projections Increased

EPS:*
2017A: $(0.01)
2018E: $1.05 (INCLUDES $0.14 IN NONRECURRING MERGER CHARGES)
2019E: $1.18

*** 2017 EPS INCLUDES MULTIPLE NON-OPERATING ITEMS**

For the year 2018, we are projecting Old Point will earn $4.7 million, or $1.05 per diluted share, and are projecting 2019 earnings of $6.3 million, or $1.18 per diluted share. These projections are subject to wide variation and could increase or decrease significantly based on changing conditions.

ADDITIONAL INFORMATION UPON REQUEST