



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

March 22, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Old Point National Bank of Phoebus
Charter Number: 12267

1 West Mellen Street
Hampton, VA 23663

Office of the Comptroller of the Currency

Virginia Field Office
4419 Pheasant Ridge Road, Suite 300
Roanoke, VA 24014

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Outstanding.

Below is a summary of the major factors supporting the institution's rating:

- The bank's average loan-to-deposit (LTD) ratio is more than reasonable compared to similarly situated institutions.
- A majority of the loans originated during the evaluation period were within the bank's assessment areas (AAs).
- The geographic distribution of loans reflects excellent dispersion throughout the assessment areas.
- The distribution of borrowers, given the demographics of the AAs, reflects an overall reasonable dispersion and satisfactory performance.
- Lending to businesses of different sizes is reasonable.
- The bank demonstrates excellent responsiveness to community development needs.
- The bank is a leader in providing community development services.

Scope of Examination

Evaluation Period/Products Evaluated

The Old Point National Bank of Phoebus (OPNB) was evaluated under the Intermediate Small Bank examination procedures, which includes a lending and community development (CD) test. The lending test evaluates the bank's record of meeting the credit needs of its assessment areas (AA) through its lending activities. The CD test evaluates the bank's responsiveness to CD needs in its AA through CD lending, services, and qualified investments. The evaluation period under the Lending Test covers the bank's performance from January 1, 2007 through December 31, 2009. The evaluation period for the community development test is March 9, 2007 to February 28, 2010.

We reviewed loans to businesses and home mortgage loans since these represent the bank's primary loan products. We utilized business loan and Home Mortgage Disclosure Act (HMDA) data reported by the bank. We excluded small loans to farms because OPNB made only one small farm loan during the evaluation period. Loans originated during calendar years 2007 through 2009 are represented in tables throughout this Evaluation.

Data Integrity

OPNB's public lending information is materially accurate. We tested the accuracy of the bank's publicly filed information for home mortgage and small business lending. Testing results validated the effectiveness of the bank's internal processes for collecting,

validating, and filing reportable loan data.

We verified community development loans, investments, and services submitted by bank management to ensure they met the regulatory definition for community development.

Selection of Areas for Full-Scope Review

OPNB does business in one AA which is comprised of portions of the Virginia Beach-Norfolk-Newport News VA-NC MSA 47260 along the coast in eastern Virginia. The AA received a full-scope review.

Description of Institution

OPNB is an intrastate bank headquartered in Hampton, Virginia. The bank is owned by Old Point Financial Corporation (OPFC), an \$848 million holding company. OPFC is also headquartered in Hampton and owns Old Point Trust and Financial Services, N.A., which is located in Newport News, Virginia. OPFC stock is traded on the NASDAQ Small Cap market under the symbol OPOF.

OPNB was established in 1922 and had total assets of \$917 million as of December 31, 2009. Based on outstanding loan balances, loans to businesses is a major product, followed by home mortgage loans, and consumer loans. At December 31, 2009, net loans were \$628 million, which equaled 68.42 % of total assets. Net loans were distributed as follows: 59.99% commercial and industrial loans including commercial real estate loans, 25.82% secured by residential real estate, 5.86% to individuals, 7.51% construction and development loans, 0.82% all others. Tier 1 capital was \$77.3 million. Tier 1 Risk-based Capital to Risk-weighted Assets equaled 11.11%. Tier 1 Leverage Capital equaled 8.63%.

OPNB has no subsidiaries. During the evaluation period, there were no legal, financial or other factors impeding the bank's ability to help meet the credit needs in its AA. The bank received a "Satisfactory" rating in its March 2007 CRA Performance Evaluation.

Description of Assessment Area(S)

Demographic Information for Full Scope Area: OPNB AA- Virginia Beach-Norfolk-Newport News MSA 47260						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	248	6.05	24.60	35.08	33.87	0.40
Population by Geography	1,140,408	3.64	20.30	38.92	37.13	0.00
Owner-Occupied Housing by Geography	266,821	1.26	13.17	38.83	46.74	0.00
Business by Geography	92,507	1.98	20.09	36.44	41.18	0.31
Farms by Geography	1,695	1.06	15.22	34.69	48.79	0.24
Family Distribution by Income Level	299,128	17.31	17.87	23.05	41.77	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	105,234	7.89	31.20	40.03	20.88	0.00
Median Family Income		49,157	Median Housing Value			118,614
HUD Adjusted Median Family Income for 2009		67,900	Unemployment Rate (2000 US Census)			2.49%
Households Below Poverty Level		9.30%				

(*) The NA category consists of geographies that have not been assigned an income classification.
 Source: 2000 US Census and 2009 HUD updated MFI

OPNB has defined their assessment area as a portion of the Virginia Beach-Norfolk-Newport News VA-NC MSA 47260. The greater metropolitan area is commonly known as Hampton Roads and is located along the eastern Virginia coast. The AA includes the counties of James City and York, the cities of Hampton, Newport News, Poquoson, Virginia Beach, and Williamsburg and select census tracts in the cities of Chesapeake, Norfolk, and, Isle of Wight County. The bank's AA is consistent with the requirements of the regulation.

OPNB is a full-service community bank serving the Hampton Roads area, which encompasses southeastern Virginia from James City County through the city of Chesapeake. OPNB operates 23 full-service branches, two limited service branches, 21 deposit-taking ATMs and 42 cash-only ATMs in the AA. The bank opened two branches during the evaluation period - 1613 Laskin Road, Virginia Beach, VA, located in CT 0448.05 (a moderate income tract) and 1812 Granby St., Norfolk, VA, located in CT 0036.00 (an upper income tract). The bank also closed one branch during the evaluation period located at 2211 Executive Dr., Hampton, VA located in CT 0103.05 (a middle income tract).

The Hampton Roads area is the fifth largest metropolitan area in the Southeast U.S, and the largest between Atlanta, GA and Washington, D.C. It is home to the largest intermodal facility on the east coast and is the mid-Atlantic terminus for a major national railroad. The Norfolk International Airport is generally within a 30 minute commute of all business and residential areas.

The retail business segment is the largest employer in the area, followed by manufacturing concerns. Within the industrial sector, government is the largest employer, followed by trade, transportation and utilities. The Hampton Roads area is

also home to one of the largest military complexes in the country with bases representing each branch of the armed services.

Economic conditions in the area are struggling, with employment essentially flat. As of December 2009, the unemployment rate of 7.9% is higher than the Virginia state rate of 6.8% but lower than the national average of 10%. As of December 2009, the poverty rate for families in the MSA of 11% was higher than the state's rate of 10.2%, but below the national rate of 13.2%. Troop deployment and a pause in ship repairs may be contributing factors, however, the underlying pace of growth has slowed.

We conducted two community contacts to determine credit and development needs in the AA. Both were organizations that promote or support affordable housing. The contacts identified credit needs for safe, affordable housing for low income families and individuals; employment opportunities for low-income individuals; career development opportunities for low-income individuals and individuals that are under-employed; small business development opportunities, including financing and technical assistance; and support for programs that increase self-sufficiency and decrease poverty and unemployment. There is also a need for housing related support services including foreclosure prevention. One contact commented that local financial institutions, including OPNB, are very supportive of the organization's programs and services.

Conclusions with Respect to Performance Tests

Description of Institution's Operations in Virginia

OPNB's business is concentrated in the Virginia Beach-Norfolk-Newport News VA-NC MSA 47260, located on the eastern coast of Virginia. The FDIC Summary of Deposits reported that there were 26 banking companies operating a total of 324 branches in the AA. OPNB was ranked eighth in market share with 3.64% of total deposits. On a statewide comparison, OPNB ranked 32 among 153 financial institutions in the state with total deposits of \$628 million and a less than 1% deposit market share.

OPNB's primary competitors for home loans and small business loans are several large national banks, large state banks, and credit unions serving local military families. Commercial banking competitors include Wachovia Bank, N.A., Bank of America, N.A., SunTrust Bank, and Branch Banking and Trust Company of Virginia. State banking competitors include Towne Bank, Bank of the Commonwealth, and Bank of Hampton Roads.

LENDING TEST

In evaluating performance under the Lending Test and determining how each loan type would be weighted, we considered the bank's business strategy and financial condition; the number and types of loans originated, and community credit needs identified through discussions with community contacts. We also considered the amount of competition from lenders not located in the AA.

OPNB's primary loan types, based on originations during the evaluation period, are loans to businesses and home mortgage loans. To arrive at the lending test rating, we gave more weight to loans to businesses than HMDA loans because there were almost twice as many business loan originations as HMDA loan originations during the evaluation period. Additionally, OPNB provided information on loans to businesses secured by residential property and letters of credit. Within HMDA loan types, refinance loans were weighted more heavily than home purchase or home improvement loans because they represented 50% of all HMDA loans originated during the evaluation period.

Lending Activity

Overall lending levels reflect reasonable responsiveness to meeting AA credit needs. The bank ranked 67th in overall market share among 586 HMDA reporters in the AA. OPNB ranked number 52 for home purchase loans, number 21 for home improvement loans, and number 51 for home mortgage refinance loans with respective market shares of 0.22%, 1.63%, and 0.31%. Residential lending market shares reflect strong competition with more than 100 residential lenders in the assessment area, most of which are not financial institutions. OPNB ranked number 15 in making loans to small businesses with a 1.16% market share of the number of loans and 5.36% market share for dollar amount of originations. There are a large number of small business lenders in this AA.

Loan-to-Deposit Ratio

The bank's average loan to deposit ratio (LTD) is more than reasonable in light of such circumstances as their capacity to lend, other similarly situated institutions in their assessment area, demographic and economic facts about the assessment areas, and the lending opportunities available in the bank's assessment area.

The bank's quarterly average LTD ratio has remained fairly consistent since the last CRA examination at 98.54%. This ratio is below the quarterly averages of similarly situated banks. Bank of the Commonwealth (120.66%), Bank of Hampton Roads (108.22%) and Monarch Bank (108.25%) are considered to be similarly situated based on total deposits and number of branches in the bank's AA.

Lending in Assessment Area

Inside/Outside Ratio

The analysis in **Table 1** of the bank's lending inside and outside the AA includes originations and purchases only and was performed at the bank level as opposed to the AA level. A majority of the bank's loan originations were in their AA. Overall, 88% of the bank's loan originations were within their AA. By loan product, 86% of home mortgage loans and 90% of small loans to businesses were inside the bank's AA.

Table 1 – Lending in Virginia Beach-Norfolk-Newport News VA-NC MSA 47260

Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total #	Inside		Outside		Total \$
	#	%	#	%		\$	%	\$	%	
Home Purchase	136	76.84	41	23.16	177	35,671	75.24	11,739	24.76	47,410
Home Improvement	203	91.03	20	8.97	267	12,418	89.98	1,383	10.02	13,801
Home Refinance	336	84.42	62	15.58	398	47,067	80.32	11,532	19.68	58,599
Small Business	1,383	89.86	156	10.14	1,539	221,501	89.57	25,801	10.43	247,302
Totals	2,059	88.03	280	11.97	2,339	316,885	86.25	50,525	13.75	367,410

Source: Data reported under HMDA from January 1, 2007 - December 31, 2009 and CRA data of loans to businesses for the same period. Home purchase included 3 multi-family loans and home refinance included one multi-family loan

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

The distribution of borrowers reflects reasonable penetration among individuals of different income levels, given the demographics of the AA. A majority of small business loans were for amounts less than \$100,000.

Refer to **Table 4** for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases. We considered the number of families that live below the poverty level and the barriers that this may have on home ownership in evaluating the borrower distribution of home mortgage loans. Approximately 9% of the families in the AA live below the poverty level.

Home Mortgage Loans

The overall borrower distribution of home mortgage loans reflects reasonable penetration among individuals of different income levels.

The borrower distribution of home purchase loans is adequate. The percentage of loans to low-income borrowers is well below the percentage of low-income families in the AA. Market share of 0.53% for low-income borrowers exceeds the overall market share of 0.14% for home purchase loans. The percentage of loans to moderate-income borrowers exceeds the percentage of moderate-income families in the AA. The market share of 0.05% for moderate-income borrowers is significantly below the overall market share of 0.14%.

The borrower distribution of home improvement loans is good. The percentage of loans to low-income borrowers is below the percentage of low-income families in the AA. Market share of 2.83% for low-income borrowers exceeds the overall market share of 1.67% for home improvement loans. The percentage of loans to moderate-income borrowers exceeds the percentage of moderate-income families in the AA. Market share of 1.90% for moderate-income borrowers exceeds the overall market share of 1.67%.

The borrower distribution of home mortgage refinance loans is good. The percentage of loans to low-income borrowers exceeds the percentage of low-income families in the AA. Market share of 0.53% for low-income borrowers exceeds the overall market share of 0.32% for home mortgage refinance loans. The percentage of loans to moderate-income borrowers exceeds the percentage of moderate-income families in the AA. Market share of 0.29% for moderate-income borrowers is near to or equal to the overall market share of 0.32%.

Table 4 - Borrower Distribution of Residential Real Estate Loans in Virginia Beach-Norfolk-Newport News VA-NC MSA 47260								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	17.31	10.48	17.87	19.05	23.05	18.10	41.77	52.38
Home Improvement	17.31	12.76	17.87	25.51	23.05	20.41	41.77	41.33
Home Refinance	17.31	18.42	17.87	21.05	23.05	26.32	41.77	34.21

Loans to Small Businesses

Refer to **Table 5** for the facts and data used to evaluate the borrower distribution of the bank’s origination/purchase of loans to small businesses.

The borrower distribution of loans to small businesses is reasonable. The percentage of loans to small businesses (businesses with annual revenues of \$1 million or less) is below the percentage of small businesses in the AA. Market share of 1.99% for small loans to businesses exceeds overall market share of 1.17%.

Table 5 - Borrower Distribution of Loans to Businesses in Virginia Beach-Norfolk-Newport News VA-NC MSA 47260				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	74.18	4.81	21.01	100%
% of Bank Loans in AA by #	48.37	31.74	19.95	100%
% of Bank Loans in AA by \$	37.48	45.77	16.75	100%

Table 6 indicated that a substantial majority of loans to small businesses are for amounts of \$100,000 or less.

Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	867	62.69	38,136	62.69
\$100,001 - \$250,000	271	19.67	48,205	19.60
\$250,001 - \$1,000,000	245	17.64	135,160	17.71
Total	1,383	100	221,501	100

Geographic Distribution of Loans

The overall geographic distribution of loans by income level reflects reasonable dispersion. The geographic distribution of home mortgage loans by income level was reasonable. The geographic distribution of small loans to businesses was excellent. We did not identify any unexplained, conspicuous gaps in lending.

We considered the following factors in evaluating the bank's performance in lending in low-income geographies:

- Only 1.5% of owner-occupied housing units are located in low-income geographies.
- Only 2.4% of businesses are located in low-income geographies.

Home Mortgage Loans

Refer to **Table 2** for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases. We considered the demographic characteristics of low- and moderate-income geographies in evaluating geographic distribution of mortgage loans. We placed more weight on performance in moderate-income geographies than in low-income geographies because of significantly fewer opportunities in low-income geographies. There are 15 low-income geographies in the AA. Less than 4% of the AA population lives in low-income geographies, and only 1.26% of the owner-occupied housing units are located in low-income geographies. These factors adversely impact the bank's ability to make mortgage loans to individuals residing in these geographies.

The overall geographic distribution of loans by income level in the AA was good. The geographic distribution of home mortgage loans by income level was good. The geographic distribution of small loans to businesses was good.

The geographic distribution of home purchase loans is adequate. The percentage of loans to borrowers living in low-income geographies exceeds the percentage of owner-occupied units within these geographies. Market share for borrowers in low-income geographies of 0.75% exceeds the overall market share of 0.21%. The percentage of loans to borrowers living in moderate-income geographies is below the percentage of owner-occupied units within these geographies. Market share for borrowers in moderate-income geographies of 0.15% is below the overall market share of 0.21%.

The geographic distribution of home improvement loans is good. The percentage of loans to borrowers living in low-income geographies exceeds the percentage of owner-occupied units within these geographies. Market share for borrowers in low-income geographies of 0.00% is well below the overall market share 1.64%. The percentage of loans to borrowers living in moderate-income geographies exceeds the percentage of owner-occupied units within these geographies. Market share for borrowers in moderate-income geographies of 2.24% exceeds the overall market share of 1.64%.

The geographic distribution of home mortgage refinance loans is good. The percentage of loans to borrowers living in low-income geographies is near to or equals the percentage of owner-occupied units within these geographies. Market share for borrowers in low-income geographies of 0.43% exceeds the overall market share of 0.31%. The percentage of loans to borrowers living in moderate-income geographies exceeds the percentage of owner-occupied units within these geographies. Market share for borrowers in moderate-income geographies of 0.48% exceeds the overall market share of 0.31%.

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	1.26	2.26	13.17	9.02	38.83	32.33	46.74	56.39
Home Improvement	1.26	1.48	13.17	17.24	38.83	38.42	46.74	42.86
Home Refinance	1.26	1.19	13.17	14.03	38.83	45.97	46.74	38.81

Multi-family Loans

Multi-family loans were not included for purposes of this evaluation. OPNB made four multi-family loans in the AA during the evaluation period.

Loans to Small Businesses

Refer to **Table 3** for the facts and data used to evaluate the geographic distribution of the bank’s origination/purchase of small loans to businesses.

The geographic distribution of loans to small businesses reflects reasonable dispersion. The percentage of loans to businesses in low-income geographies is below the percentage of businesses in these geographies. The market share for businesses in low-income geographies of 1.29% exceeds the overall market share of 1.17% for small loans to businesses. The percentage of loans to businesses in moderate-income geographies exceeds the percentage of businesses in these geographies. Market share for businesses in moderate-income geographies of 2.25% exceeds overall market

share of 1.17%.

Table 3 - Geographic Distribution of Loans to Businesses in Virginia Beach-Norfolk-Newport News VA-NC MSA 47260								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses/	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Loans to Small Businesses	1.98	1.45	20.09	32.42	36.44	34.37	41.18	31.77

Lending Gap Analysis

We evaluated the lending distribution to determine if any unexplained, conspicuous gaps existed. We considered loan distribution, branch locations, competition, market conditions, and demographic information. We used reports and maps to compare the geographies where loans were made to the geographies in the AA and did not identify any unexplained, conspicuous gaps. This had a positive impact on the bank's geographic distribution of loans.

Responses to Complaints

OPNB received three complaints during the evaluation period. The complaints were made by bank customers regarding actions taken in banking transactions where the customer believed he or she was treated unfairly. Senior bank management appropriately resolved each complaint.

COMMUNITY DEVELOPMENT TEST

The Community Development test is rated Outstanding.

In evaluating performance under the Community Development Test, we considered the bank's capacity to lend and invest in its community, the availability of investment and community development lending opportunities, and the bank's responsiveness in providing services to the communities in which it does business.

Responsiveness to Community Development Needs

The bank's community development activities demonstrate excellent responsiveness to the community development needs of its assessment areas. This takes into consideration the bank's capacity, the need, and the availability of such opportunities for community development in the bank's assessment areas. The demographic characteristics of the assessment areas limit the types of community development needs that can be served by the institution. We did not identify any un-met community development needs during the evaluation.

Number and Amount of Community Development Loans

Community development lending had a positive impact on lending performance in the AA. During the evaluation period, OPNB originated 34 community development loans totaling \$19.2 million. Loans were for various operating needs of organizations that provide community development services and construct affordable housing for low- and moderate-income (LMI) individuals and families, including special needs projects for persons with disabilities and to fund rehabilitation of property in downtown Hampton.

Number and Amount of Qualified Investments

The bank has a significant level of qualified investments in the AA. The bank showed good responsiveness to credit and community development needs.

The bank made 146 contributions totaling \$295,414 to community development organizations that provide direct support and services to moderate-income geographies and low- and moderate-income individuals in the AA. The bank had one prior period investment totaling \$860,000 still outstanding. This investment is a bond to finance the construction and permanent funding of 40 units of rental housing in an Enterprise Zone in Newport News. The occupants of the project must be at or below 60% of the area's median family income. According to two community contacts, a need exists in the area for affordable housing to low- and moderate-income families. Total investments were equal to 1.9% of Tier 1 Capital.

Extent to Which the Bank Provides Community Development Services

The bank is a leader in providing community development services. Officers and staff contributed services to 66 community service organizations in the AA during the evaluation period. These services consistently addressed community development needs through service on committees and boards of directors for organizations that provide affordable housing, community services, and financial services to low- and moderate-income areas or individuals. Bank representatives also provided technical assistance to organizations whose primary goal is to raise and distribute funds to organizations that provide services to low- and moderate-income individuals and geographies. Bankers served as speakers at seminars and outreach events for small businesses and entrepreneurs, and conducted training sessions for low- and moderate-income adults on budgeting and the appropriate use of credit.

Product Innovation and Flexibility

The bank made no use of innovative or flexible lending practices to address the credit needs of low- or moderate-income individuals or geographies. This had a neutral impact on lending performance.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.