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C & F FINANCIAL CORP  
Form 11-K  
June 26, 2002

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 11-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934

For the fiscal year end \_\_\_\_\_ December 31, 2001  
-----

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 000-23423  
-----

- A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

Virginia Bankers Association Defined Contribution Plan for Citizens  
and Farmers Bank  
802 Main Street  
West Point, Virginia 23181

Virginia Bankers Association Defined Contribution Plan for C&F  
Mortgage Corporation  
1400 Alverser Drive  
Midlothian, Virginia 23113

- B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

C & F Financial Corporation  
802 Main Street  
West Point, Virginia 23181

SIGNATURES

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Virginia Bankers Association Defined  
Contribution Plan for Citizens and  
Farmers Bank

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Virginia Bankers Association Defined  
Contribution Plan for C & F Mortgage  
Corporation

-----  
(Name of Plans)

Date June 25, 2002  
-----

/s/ Thomas F. Cherry  
-----

Thomas F. Cherry  
Chief Financial Officer

VIRGINIA BANKERS ASSOCIATION DEFINED  
CONTRIBUTION PLAN FOR  
CITIZENS AND FARMERS BANK

West Point, Virginia

FINANCIAL REPORT

DECEMBER 31, 2001

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INDEPENDENT AUDITOR'S REPORT

Virginia Bankers Association Defined Contribution  
Plan for Citizens and Farmers Bank

West Point, Virginia

We have audited the accompanying statements of net assets available for benefits of the Virginia Bankers Association Defined Contribution Plan for Citizens and Farmers Bank as of December 31, 2001 and 2000, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan'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

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accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Virginia Bankers Association Defined Contribution Plan for Citizens and Farmers Bank as of December 31, 2001 and 2000, and the changes in net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets held for investment purposes as of December 31, 2001 is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the United States Department of Labor Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ YOUNT, HYDE & BARBOUR, P.C.

Winchester, Virginia  
April 4, 2002

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VIRGINIA BANKERS ASSOCIATION DEFINED CONTRIBUTION PLAN  
FOR CITIZENS AND FARMERS BANK

Statements of Net Assets Available for Benefits  
December 31, 2001 and 2000

|                            | 2001         | 2000         |
|----------------------------|--------------|--------------|
|                            | -----        | -----        |
| Assets                     |              |              |
| Investments, at fair value | \$ 4,293,524 | \$ 4,154,313 |
| Receivables:               |              |              |
| Employer contribution      | \$ 194,215   | \$ 173,649   |
| Other                      | 941          | 809          |
| Total receivables          | \$ 195,156   | \$ 174,458   |
| Cash                       | \$ 18,686    | \$ 28,517    |
| Total assets               | \$ 4,507,366 | \$ 4,357,288 |

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Liabilities

|                                   |              |              |
|-----------------------------------|--------------|--------------|
| Excess contribution refund        | \$ 3,604     | \$ --        |
|                                   | -----        | -----        |
| Net assets available for benefits | \$ 4,503,762 | \$ 4,357,288 |
|                                   | =====        | =====        |

See Notes to Financial Statements.

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VIRGINIA BANKERS ASSOCIATION DEFINED CONTRIBUTION PLAN  
FOR CITIZENS AND FARMERS BANK

Statements of Changes in Net Assets  
Available for Benefits  
For the Years Ended December 31, 2001 and 2000

|   | 2001         | 2000         |
|---|--------------|--------------|
|   | -----        | -----        |
| Additions to net assets attributed to:        |              |              |
| Investment income (loss):                     |              |              |
| Net depreciation in fair value of investments | \$ (323,087) | \$ (264,653) |
| Interest and dividends                        | 20,173       | 24,239       |
|   | -----        | -----        |
|   | \$ (302,914) | \$ (240,414) |
|   | -----        | -----        |
| Contributions:                                |              |              |
| Employer                                      | \$ 384,360   | \$ 337,840   |
| Participant                                   | 280,544      | 248,819      |
| Rollover contributions                        | 19,248       | 44,884       |
|   | -----        | -----        |
|   | \$ 684,152   | \$ 631,543   |
|   | -----        | -----        |
| Total additions                               | \$ 381,238   | \$ 391,129   |
|   | -----        | -----        |
| Deductions from net assets attributed to:     |              |              |
| Benefits paid to participants                 | \$ 212,707   | \$ 283,555   |
| Administrative expenses                       | 22,057       | 22,239       |
|   | -----        | -----        |
|   | \$ 234,764   | \$ 305,794   |
|   | -----        | -----        |
| Net increase                                  | \$ 146,474   | \$ 85,335    |
| Net assets available for benefits:            |              |              |
| Beginning of period                           | 4,357,288    | 4,271,953    |
|   | -----        | -----        |
| End of period                                 | \$ 4,503,762 | \$ 4,357,288 |
|   | =====        | =====        |

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See Notes to Financial Statements.

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### VIRGINIA BANKERS ASSOCIATION DEFINED CONTRIBUTION PLAN FOR CITIZENS AND FARMERS BANK

#### Notes to Financial Statements

#### Note 1. Description of the Plan

The following description of the Virginia Bankers Association Defined Contribution Plan for Citizens and Farmers Bank (Plan) provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

##### General

The Plan is a defined contribution plan maintained by Citizens and Farmers Bank pursuant to the provisions of Section 401(k) of the Internal Revenue Code (Code) established for the benefit of substantially all full time employees electing to participate in the Plan. Employees are eligible to participate in the Plan on the first day of the calendar quarter after completing three months of service and must be eighteen years old or older. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

##### Contributions

Each participant may elect to defer from 1% to 20% of their pretax annual compensation, as defined in the Plan. The Bank makes a matching contribution to the Plan on behalf of each participant who makes a pretax contribution. The amount the Bank contributes is 100% of the first 5% of compensation. The Bank may also make a discretionary profit sharing contribution, determined annually by the Board of Directors. This contribution is allocated in proportion of a participant's covered compensation to covered compensation of all participants. Discretionary contributions declared or made by the Bank were \$194,215 and \$175,481 during the plan years ended December 31, 2001 and 2000, respectively. Participants entering the Plan may roll over contributions from other plans. Contributions are subject to certain limitations as established by the Code.

##### Participants' Accounts

Each participant's account is credited with the participant's contribution and allocations of (a) the Bank's contributions (b) Plan earnings and (c) forfeitures. Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

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## Notes to Financial Statements

### Vesting

The Plan's vesting provision provides that participants are immediately vested in their elective contributions and earnings thereon. Vesting in the Bank's contributions occurs as follows:

| Number of Years of<br>Vesting Service | Vested Interest |
|---------------------------------------|-----------------|
| Less than 3 years                     | 0%              |
| 3 years but less than 4 years         | 20%             |
| 4 years but less than 5 years         | 40%             |
| 5 years but less than 6 years         | 60%             |
| 6 years but less than 7 years         | 80%             |
| 7 years or more                       | 100%            |

### Investment Options

All assets in the Plan are directed by individual participants. Participants are given the option to direct account balances and all contributions made into any of 24 separate investment options consisting of managed, indexed or individual equity or fixed income funds.

A participant may choose to invest up to 25% (in increments of 5%) of their account balance and future contributions in the common stock of C&F Financial Corporation (Employer Stock), the remaining balance and future contributions may be invested in the other investment fund options.

### Participants Notes Receivable

Participants may borrow from their fund accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or 50% of their vested account balance. Loan transactions are treated as a transfer to (from) the investment fund from (to) the Participants Notes Fund. Loan terms are limited to 5 years or up to 30 years for the purchase of a primary residence. The loans are fully secured by the balance in the participant's account and bear interest at 1/4 of 1% over the Corporation's prime rate and will remain unchanged for the life of the loan. Principal and interest is paid ratably through monthly payroll deductions.

### Payment of Benefits

Upon retirement or termination of service a participant may elect to receive either a lump sum amount equal to the value of the participant's vested interest in his or her account, periodic installments for a period of up to 10 years or a combination of both. A written election must be made with the administrator at least 30 days before the benefit payment date. Participants whose vested account balance has never exceeded \$5,000 must be paid out in the form of a lump sum distribution.

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## Notes to Financial Statements

### Forfeited Accounts

As of December 31, 2001 and 2000, forfeited nonvested account balances totaled \$127,424 and \$58,886, respectively.

### Reclassifications

Certain reclassifications have been made to prior period amounts to conform to current year presentation.

## Note 2. Summary of Accounting Policies

### Basis of Accounting

The financial statements of the Plan are prepared under the accrual method of accounting.

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

### Investment Valuation and Income Recognition

The Plan's investments are stated at fair value. Quoted market prices are used to value investments. Shares of mutual funds are valued at the net asset value of shares held by the Plan at year end. Participant notes receivable are valued at cost which approximates fair value.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

In accordance with the policy of stating investments at current value, net realized and unrealized appreciation (depreciation) for the year is reflected in the statements of changes in net assets available for benefits.

### Benefit Payments

Benefit payments are recorded when paid.

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## Notes to Financial Statements

## Note 3. Plan Termination

Although it has not expressed any intent to do so, the Bank has the

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right under the Plan to terminate the Plan subject to the provisions of ERISA. In the event of plan termination, participants would become 100 percent vested in their employer contributions.

### Note 4. Investments

The following table presents investments that represent 5 percent or more of the Plan's net assets.

|   | December 31,<br>2001 |
|---|----------------------|
|   | -----                |
| Spartan U.S. Equity Fund                  | \$ 332,093           |
| Spartan U.S. Treasury Money Market Fund   | 440,814              |
| Davis New York Venture Class A Fund       | 719,022              |
| Dreyfus Short Term Income Fund            | 274,844              |
| Franklin Small-Mid Cap Growth A Fund      | 272,386              |
| Janus Fund                                | 717,783              |
| PIMCO Renaissance Class D Fund            | 385,854              |
| Third Avenue Value Fund                   | 267,234              |
|   | December 31,<br>2000 |
|   | -----                |
| Spartan U.S. Equity Fund                  | \$ 434,111           |
| Spartan U.S. Treasury Money Market Fund   | 312,351              |
| American Century Income and Growth Fund   | 715,770              |
| Franklin Small Cap Growth A Fund          | 224,081              |
| Janus Fund - Mid                          | 730,605              |
| Janus Worldwide Fund                      | 221,327              |
| PIMCO Total Return II Administrative Fund | 442,835              |
| Weitz Value Fund                          | 237,662              |

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### Notes to Financial Statements

During the Plan years ending December 31, 2001 and 2000, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) depreciated in value by \$(323,087) and \$(264,653) as follows:

|                                 | December 31, |              |
|---------------------------------|--------------|--------------|
|                                 | 2001         | 2000         |
|                                 | -----        | -----        |
| Common Collective Trust Funds   | \$ --        | \$ (40,844)  |
| Employer Common Stock           | 36,627       | (10,795)     |
| Registered Investment Companies | (359,714)    | (213,014)    |
|                                 | -----        | -----        |
|                                 | \$ (323,087) | \$ (264,653) |
|                                 | =====        | =====        |

### Note 5. Tax Status

The Internal Revenue Service has determined and informed the trustee/administrator by a letter dated December 23, 1997, that



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the master Plan and related trust are designed in accordance with applicable sections of the Internal Revenue Code (IRC). Although the Plan has been amended since receiving the determination letter, the Plan administrator and Plan sponsor believe that the Plan is designed and currently being operated in compliance with the applicable requirements of the IRC.

Note 6. Related-Party Transactions

The Plan allows funds to be invested in the common stock of C & F Financial Corporation, the parent company of Citizens and Farmers Bank, the Plan Sponsor. Therefore, C & F Financial Corporation is a party-in-interest. Employer securities are allowed by ERISA and the Department of Labor and the fair value of the common stock is based on quotes from an active market.

Note 7. Administrative Expenses

Certain administrative expenses are absorbed by Citizens and Farmers Bank, the Plan Sponsor.

Note 8. Significant Amendments and Events

The Plan was amended and restated effective as of March 15, 2000. The restatement of the Plan and the subsequent issuance of a new Summary Plan Description to participants as of March 2000, included various changes to the Plan. The most significant changes included a revision of Plan investment options to include managed, indexed and self-directed portfolios and a change in the asset custodian to Reliance Trust Company. Reliance Trust Company has been appointed as investment manager by the Plan's Trustee, Virginia Bankers Association Benefits Corporation, for all investment funds other than the Employer Stock Fund. The Fiduciary, with respect to employer stock, is Citizens and Farmers Bank.

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VIRGINIA BANKERS ASSOCIATION DEFINED CONTRIBUTION PLAN  
FOR CITIZENS AND FARMERS BANK

Schedule of Assets Held for Investment Purposes  
December 31, 2001

| Description of Asset/Identity of Issue  | Fair Value |
|---|------------|
| Registered Investment Companies         |            |
| Fidelity U.S. Bond Index Fund           | \$ 9,168   |
| Spartan U.S. Equity Index Fund          | 332,093    |
| Spartan Total Market Index Fund         | 68,051     |
| Managers Bond Fund                      | 141        |
| Fidelity Cash Reserves Fund             | 1,818      |
| Fidelity Instl Cash Portfolio Fund      | 4,434      |
| Spartan U.S. Treasury Money Market Fund | 440,814    |
| Davis New York Venture Class A Fund     | 719,022    |
| Dreyfus Short-Term Income Fund          | 274,844    |
| First Eagle Sogen Overseas Class A Fund | 175,600    |
| Franklin Small-Mid Cap Growth A Fund    | 272,386    |
| Janus Fund                              | 717,783    |

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|  |              |
|--|--------------|
| Janus Worldwide Fund                       | 125,075      |
| PIMCO Renaissance Class D Fund             | 385,854      |
| PIMCO Total Return II Administrative Fund  | 223,881      |
| Strong Advantage Fund                      | 147,296      |
| Third Avenue Value Fund                    | 267,234      |
|  | -----        |
|  | \$ 4,165,494 |
|  | -----        |
| Common Stock                               |              |
| C&F Financial Corporation - Employer Stock | \$ 115,580   |
|  | -----        |
| Loan                                       |              |
| Participant notes                          | \$ 12,450    |
|  | -----        |
|  |              |
| Total assets held for investment           | \$ 4,293,524 |
|  | =====        |

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VIRGINIA BANKERS ASSOCIATION DEFINED  
CONTRIBUTION PLAN FOR  
C&F MORTGAGE CORPORATION

Richmond, Virginia

FINANCIAL REPORT

DECEMBER 31, 2001

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INDEPENDENT AUDITOR'S REPORT

Virginia Bankers Association Defined Contribution  
Plan for C&F Mortgage Corporation  
Richmond, Virginia

We have audited the accompanying statements of net assets available for

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benefits of Virginia Bankers Association Defined Contribution Plan for C&F Mortgage Corporation as of December 31, 2001 and 2000, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan'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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2001 and 2000, and the changes in net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule as listed in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ YOUNT, HYDE & BARBOUR, P.C.

Winchester, Virginia  
April 5, 2002

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VIRGINIA BANKERS ASSOCIATION DEFINED CONTRIBUTION PLAN  
FOR C&F MORTGAGE CORPORATION

Statements of Net Assets Available for Benefits  
December 31, 2001 and 2000

|                            | 2001         | 2000         |
|----------------------------|--------------|--------------|
|                            | -----        | -----        |
| Assets                     |              |              |
| Investments, at fair value | \$ 2,063,061 | \$ 1,701,020 |
| Receivables:               |              |              |
| Employer contribution      | \$ 299,183   | \$ 41,533    |
| Dividends                  | 1,174        | 875          |
| Total receivables          | \$ 300,357   | 42,408       |
|                            | -----        | -----        |

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|                                   |              |              |
|-----------------------------------|--------------|--------------|
| Cash                              | \$ 17,485    | \$ 14,844    |
|                                   | -----        | -----        |
| Net assets available for benefits | \$ 2,380,903 | \$ 1,758,272 |
|                                   | =====        | =====        |

See Notes to Financial Statements.

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VIRGINIA BANKERS ASSOCIATION DEFINED CONTRIBUTION PLAN  
FOR C&F MORTGAGE CORPORATION

Statements of Changes in Net Assets  
Available for Benefits  
For the Years Ended December 31, 2001 and 2000

|  | 2001         | 2000         |
|--|--------------|--------------|
|  | -----        | -----        |
| Additions to net assets attributed to:             |              |              |
| Investment (loss):                                 |              |              |
| Net (depreciation) in fair value<br>of investments | \$ (190,003) | \$ (172,321) |
| Interest and dividends                             | 4,588        | 4,180        |
|  | -----        | -----        |
|  | \$ (185,415) | \$ (168,141) |
|  | -----        | -----        |
| Contributions:                                     |              |              |
| Employer   | \$ 299,183   | \$ 48,650    |
| Participant  | 501,618      | 403,268      |
| Rollover and other contributions                   | 55,150       | 16,268       |
|  | -----        | -----        |
|  | \$ 855,951   | \$ 468,186   |
|  | -----        | -----        |
| Total additions                                    | \$ 670,536   | \$ 300,045   |
|  | -----        | -----        |
| Deductions from net assets attributed to:          |              |              |
| Benefits paid to participants                      | \$ 34,567    | \$ 287,707   |
| Administrative expenses                            | 13,338       | 12,969       |
|  | -----        | -----        |
| Total deductions                                   | \$ 47,905    | \$ 300,676   |
|  | -----        | -----        |
| Net increase (decrease)                            | \$ 622,631   | \$ (631)     |
|  |              |              |
| Net assets available for benefits:                 |              |              |
| Beginning of period                                | 1,758,272    | 1,758,903    |
|  | -----        | -----        |
| End of period                                      | \$ 2,380,903 | \$ 1,758,272 |
|  | =====        | =====        |

See Notes to Financial Statements.

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## VIRGINIA BANKERS ASSOCIATION DEFINED CONTRIBUTION PLAN FOR C&F MORTGAGE CORPORATION

### Notes to Financial Statements

#### Note 1. Description of the Plan

The following description of the Virginia Bankers Association Defined Contribution Plan for C&F Mortgage Corporation (Plan) provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

##### General

The Plan is a defined contribution plan maintained by C&F Mortgage Corporation pursuant to the provisions of Section 401(k) of the Internal Revenue Code (Code) established for the benefit of substantially all employees electing to participate in the Plan. Employees are eligible to participate in the Plan on the first day of the month following their employment date and must be eighteen years old or older. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

##### Contributions

Each participant may elect to defer from 1% to 15% of their pretax annual compensation, as defined in the Plan. The Company may make a discretionary profit sharing contribution, determined annually by the Board of Directors. The contribution is allocated in proportion of a participant's contributions to the total contributions of all participants. Discretionary contributions declared or made by the Company were \$308,526 and \$65,827 during the plan years ended December 31, 2001 and 2000, respectively. Participants entering the Plan may roll over contributions from other plans. Contributions are subject to certain limitations as established by the Internal Revenue Code.

##### Participants' Accounts

Each participant's account is credited with the participant's contribution and allocations of the Company's contributions and plan earnings. Allocations are based on participant contributions or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

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### Notes to Financial Statements

#### Vesting

The Plan's vesting provision provides that participants are immediately vested in their elective contributions and earnings thereon. Vesting in the Company's contributions

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occurs as follows:

| Number of Years of<br>Vesting Service<br>----- | Vested Interest<br>----- |
|--|--------------------------|
| Less than 2 years                              | 0%                       |
| 2 years but less than 3 years                  | 25%                      |
| 3 years but less than 4 years                  | 50%                      |
| 4 years but less than 5 years                  | 75%                      |
| 5 years or more                                | 100%                     |

### Investment Options

All assets in the Plan are directed by individual participants. Participants are given the option to direct account balances and all contributions made into over 50 separate investment options. The options include pooled separate accounts, guaranteed interest accounts, money market and managed accounts.

A participant may choose to invest up to 25% (in increments of 5%) of their account balance and future contributions in the common stock of C&F Financial Corporation (Employer Stock). Participants may change their investment options the first day of the month of each quarter.

### Payment of Benefits

Upon retirement or termination of service a participant may elect to receive either a lump sum amount equal to the value of the participants vested interest in his or her account, periodic installments for a period of up to 10 years or a combination of both. A written election must be made with the administrator at least 30 days before the benefit payment date. Participants whose vested account balance has never exceeded \$5,000 must be paid out in the form of a lump sum distribution.

### Forfeited Accounts

At December 31, 2001 and 2000, forfeited nonvested accounts totaling \$9,343 and \$17,177, respectively, were used to reduce employer contributions.

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## Notes to Financial Statements

### Note 2. Summary of Accounting Policies

#### Basis of Accounting

The financial statements of the Plan are prepared under the accrual method of accounting.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of

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America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

### Investment Valuation and Income Recognition

The Plan's investments in pooled separate accounts of Manufacturers Life Insurance Company represents ownership of units of participation in various mutual funds. The value of a unit of participation is the total value of each mutual fund within the separate accounts divided by the number of units outstanding. The investments in the pooled separate accounts are stated at fair value and are based on quoted redemption values of the underlying mutual funds on the last day of the year. The Plan's Guaranteed Interest Accounts, guarantee a rate of return for a defined term. The assets are commingled with other assets of Manufacturers Life Insurance Company's general account and are reported at fair value as determined by Manufacturers Life Insurance Company. Common stock is stated at the fair value determined by quoted market prices.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

In accordance with the policy of stating investments at current value, net realized and unrealized appreciation (depreciation) for the year is reflected in the statements of changes in net assets available for benefits.

### Benefit Payments

Benefit payments are recorded when paid.

### Note 3. Plan Termination

Although it has not expressed any intent to do so, the Company has the right under the Plan to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants would become 100 percent vested in the portion of their account not previously vested.

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### Notes to Financial Statements

### Note 4. Investments

The Plan's investment assets are currently held by the custodians, Manulife Financial Corporation and Raymond James Financial Services, Inc. The following table presents investments for the years ended December 31, 2001 and 2000 that represent 5 percent or more of the Plan's net assets.

| December 31, |       |
|--------------|-------|
| 2001         | 2000  |
| -----        | ----- |

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|  |            |            |
|--|------------|------------|
| Manulife Lifestyle Fund - Aggressive Portfolio | \$ 407,650 | \$ 371,861 |
| Manulife Lifestyle Fund - Balanced Portfolio   | 193,013    | 144,490    |
| Manulife Lifestyle Fund - Growth Portfolio     | 665,742    | 620,245    |
| C&F Financial Corporation Stock                | 156,480    | 90,698     |

During the years ended December 31, 2001 and 2000, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) depreciated in value by \$(190,003) and \$(172,321), respectively as follows:

|                                 | December 31, |              |
|---------------------------------|--------------|--------------|
|                                 | 2001         | 2000         |
| Pooled separate accounts        | \$ (229,622) | \$ (157,669) |
| Common stock                    | 39,606       | (14,664)     |
| Guaranteed investment contracts | 13           | 12           |
|                                 | -----        | -----        |
|                                 | \$ (190,003) | \$ (172,321) |
|                                 | =====        | =====        |

Note 5. Tax Status

The Internal Revenue Service has determined and informed the trustee/administrator by a letter dated December 23, 1997, that the Master Plan and related trust are designed in accordance with applicable sections of the Internal Revenue Code (IRC). The Plan administrator and Plan sponsor believe that the Plan is designed and currently being operated in compliance with the applicable requirements of the IRC.

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Notes to Financial Statements

Note 6. Related Party Transactions

Certain Plan investments are units of pooled separate accounts managed in part by Manufacturers Advisor Corporation. Group annuity contracts for guaranteed interest accounts are issued by Manufacturers Life Insurance Company. Both Manufacturers Advisor Corporation and the Manufacturers Life Insurance Company are affiliates of Manulife Financial Corporation, the Plan asset custodian. Therefore, transactions in these investments qualify as party-in-interest. Fees charged for services by the party-in-interest are based on customary rates for such services.

The Plan allows funds to be invested in the common stock of C&F Financial Corporation, the parent company of C&F Mortgage Corporation, the Plan Sponsor. Therefore C&F Financial Corporation is a party-in-interest. Employer securities are allowed by ERISA and the Department of Labor and the fair value of common stock is based on quotes from an active market.

Note 7. Administrative Expenses

Certain administrative expenses are absorbed by C&F Mortgage



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Corporation, the Plan sponsor.

### Note 8. Significant Amendments & Events

Effective January 1, 2001, C&F Title Agency, Inc., an affiliated corporation, adopted the VBA Defined Benefit Contribution Plan for C&F Mortgage Corporation.

Also effective January 1, 2001, the Plan was amended to permit employees filling certain job positions of the Ellicott City, Maryland branch office to become eligible for any Employer matching contributions. These positions include receptionists, set up clerks, administrative assistants, and loan processors.

During 1999, the Plan's trustee was changed from the Virginia Bankers Association Benefits Corporation to the Corporation's Chief Financial Officer and the Human Resource Manager. As of the date of our report, the plan documents had not been finalized to reflect these changes.

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### VIRGINIA BANKERS ASSOCIATION DEFINED CONTRIBUTION PLAN FOR C&F MORTGAGE CORPORATION

#### Schedule of Assets Held for Investment Purposes December 31, 2001

| Description of Asset/Identity of Issue         | Fair Value |
|--|------------|
| Pooled Separate Accounts                       |            |
| Manulife Aggressive Growth Fund                | \$ 15,599  |
| Manulife Balanced Fund                         | 18,337     |
| Manulife Capital Growth Stock Fund             | 6,439      |
| Manulife Developing Markets Fund               | 5,324      |
| Manulife Dividend & Growth Fund                | 24,354     |
| Manulife Emerging Growth Stock Fund            | 8,904      |
| Manulife Enterprise Fund                       | 22,007     |
| Manulife Equity Income Fund                    | 4,313      |
| Manulife Foreign Fund                          | 5,603      |
| Manulife Blue Chip Fund                        | 3,400      |
| Manulife Prudential Jennison Growth Fund       | 2,235      |
| Manulife Large-Cap Fund                        | 30,784     |
| Manulife Fidelity Advisor Dividend Growth Fund | 9,912      |
| Manulife Growth Plus Stock Fund                | 12,650     |
| Manulife High-Core Bond Fund                   | 4,105      |
| Manulife High-Yield Fund                       | 7,792      |
| Manulife Spectrum Income Fund                  | 1,885      |
| Manulife 500 Index Fund                        | 36,616     |
| Manulife International Stock Fund              | 4,769      |
| Manulife Equity Growth Fund                    | 30,254     |
| Manulife Lifestyle Fund-Aggressive Portfolio   | 407,650    |
| Manulife Lifestyle Fund-Balanced Portfolio     | 193,013    |
| Manulife Lifestyle Fund-Conservative Portfolio | 8,314      |
| Manulife Lifestyle Fund-Growth Portfolio       | 665,742    |
| Manulife Lifestyle Fund-Moderate Portfolio     | 59,131     |
| Manulife Wietz Ptns Fund                       | 36,578     |
| Manulife AIM Constellation Fund                | 7,264      |
| Manulife Beacon Fund                           | 12,643     |

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|                 |              |
|-----------------|--------------|
| Carried Forward | \$ 1,645,617 |
|-----------------|--------------|

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VIRGINIA BANKERS ASSOCIATION DEFINED CONTRIBUTION PLAN  
FOR C&F MORTGAGE CORPORATION

Schedule of Assets Held for Investment Purposes  
(Continued)  
December 31, 2001

| Description of Asset/Identity of Issue   | Fair Value   |
|--|--------------|
| Carried Forward                          | \$ 1,645,617 |
| Pooled Separate Accounts (cont'd)        |              |
| Manulife Overseas Fund                   | 5,481        |
| Manulife Science & Technology Fund       | 74,705       |
| Manulife Select Twenty Fund              | 46,158       |
| Manulife Quantitative Mid Cap Fund (VS)  | 26,271       |
| Manulife Lord Abbett Develop Growth Fund | 11,469       |
| Manulife Small-Mid-Cap Growth Fund       | 27,615       |
| Manulife Dominion Social Equity Fund     | 3,072        |
| Manulife Value & Restructuring Fund      | 35,389       |
| Manulife Worldwide Fund                  | 10,061       |
| Manulife Short Term Fund                 | 428          |
| Manulife Total Return Fund               | 2,418        |
| Manulife New York Venture Fund           | 3,768        |
| Manulife Balance Sheet Fund              | 2,228        |
| Manulife Capital Opportunities Fund      | 3,874        |
| Manulife Global Equities Fund            | 172          |
| Manulife Passport Fund                   | 757          |
| Manulife Net Net Fund                    | 3,320        |
| Manulife Index Total Fund                | 82           |
|  | \$ 1,902,885 |
| Common Stock                             |              |
| C&F Financial Corporation                | \$ 156,480   |
| Guaranteed Interest Accounts             |              |
| Guaranteed Investment Contract           | \$ 3,696     |
|  | \$ 2,063,061 |
|  | =====        |

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