C & F FINANCIAL CORP

FORM 10-K
(Annual Report)

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Address	EIGHTH & MAIN STREETS P O BOX 391
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Industry	Regional Banks
Sector	Financial
Fiscal Year	12/31

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

FORM 10-K

(Mark One)

(X) ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE **ACT OF 1934**

For the fiscal year ended December 31, 1999

or

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES **EXCHANGE ACT OF 1934**

For the transition period from ________________________to________________________

Commission file number 000-23423

C&F FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

Virginia	54-1680165
State or other jurisdiction of incorporation or organization	(I.R.S. Employer Identification No.)
Eighth and Main Streets, West Point, VA	23181
(Address of principal executive offices)	(Zip Code)
Registrant's telephone number, including area code	(804) 843-2360

Securities registered pursuant to Section 12(b) of the Act: NONE

Securities registered pursuant to Section 12(g) of the Act:

Common Stock $1.00 Par

(Title of class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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. (X) Yes ( ) No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not 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. ( )

The aggregate market value of the Common Stock held by non-affiliates of the Registrant was approximately $50,171,000 as of March 21, 2000.

The number of shares outstanding of the registrant's common stock, $1.00 par value was $3,644,324 at March 21, 2000.

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DOCUMENTS INCORPORATED BY REFERENCE

Location in Form 10-K		Incorporated Document
PART II		
Item 5 -	Market for Registrants Common Equity and Related Stockholder Matters	The Corporation's 1999 Annual Report to Shareholders for fiscal years ended December 31, 1999, Quarterly Condensed Statements of Income-Unaudited, page 43, and Investor Information, page 45.
Item 6 -	Selected Financial Data	The Corporation's 1999 Annual Report to Shareholders for fiscal years ended December 31, 1999, Five Year Financial Summary, page 10.
Item 7 -	Management's Discussion and Analysis of Financial Conditions and Results of Operations	The Corporation's 1999 Annual Report to Shareholders for the fiscal years ended December 31, 1999, Management's Discussion and Analysis of Financial Condition and Results of Operations, pages 9 through 23.
Item 7a -	Quantitative and Qualitative Disclosures about Market Risk	The Corporation's 1999 Annual Report to Shareholders for the fiscal years ended December 31, 1999, Market Risk Management, pages 14 through 16.
Item 8 -	Financial Statements and Supplementary Data	The Corporation's 1999 Annual Report to Shareholders for fiscal years ended December 31, 1999, Consolidated Financial Statements, Notes to Consolidated Financial Statements, and Independent Auditors' Report, pages 24 through 44.
PART III		
Item 10 -	Directors and Executive Officers of the Registrant	The Corporation's 2000 Proxy Statement, Election of Directors, pages 3 through 4.
Item 11 -	Executive Compensation	The Corporation's 2000 Proxy Statement, Executive Compensation, pages 5 through 7.
Item 12 -	Security Ownership of Certain Beneficial Owners and Management	The Corporation's 2000 Proxy Statement, Principal Holders of Capital Stock, page 2.
Item 13 -	Certain Relationships and Related Transactions	The Corporation's 2000 Proxy Statement, Interest of Management in Certain Transactions, page 5.

PART I

ITEM 1. BUSINESS

General

C&F Financial Corporation (the "Corporation") is a bank holding company which was incorporated under the laws of the Commonwealth of Virginia in March, 1994. The Corporation owns all of the stock of its sole subsidiary, Citizens and Farmers Bank (the "Bank"), which is an independent commercial bank chartered under the laws of the Commonwealth of Virginia. The Bank has a total of ten branches including the main office. The Bank has its main office at Eighth and Main Streets, West Point, Virginia, and has branch offices in the locations of Richmond, Norge, Middlesex, Providence Forge, Quinton, Tappahannock, Varina, Williamsburg, and West Point (two branches). The Bank was originally opened for business under the name Farmers and Mechanics Bank on January 22, 1927.

The local community served by the Bank is defined as those portions of King William County, King and Queen County, Hanover County and Henrico County which are east of Route 360; Essex, Middlesex, New Kent, Charles City, and James City Counties; that portion of York County which is directly north of James City County; that portion of Gloucester County surrounded by Routes 14 and 17; and the western portion of the City of Richmond along the Route 250 corridor.

The Corporation, through its subsidiaries, offers a wide range of banking services available to both individuals and small businesses. These services include various types of checking and savings deposit accounts, and the making of business, real estate, development, mortgage, home equity, automobile, and other installment, demand and term loans. Also, the Bank offers ATMs at all locations, credit card services, trust services, travelers' checks, money orders, safe deposit rentals, collections, notary public, wire services, and other customary bank services to its customers.

The Bank has four wholly-owned subsidiaries, C & F Title Agency, Inc., C&F Investment Services, Inc., C&F Insurance Services, Inc., and C&F Mortgage Corporation, all incorporated under the laws of the Commonwealth of Virginia. C&F Title Agency, Inc. sells title insurance to the mortgage loan customers of the Corporation. C&F Investment Services, Inc., organized April 1995, is a full-service brokerage firm offering a comprehensive range of investment options including stocks, bonds, annuities, and mutual funds. C&F Insurance Services, Inc., organized in July 1999, owns 2.4% of the Virginia Bankers Insurance Center, LLC which is in the process of buying an existing insurance agency. C&F Mortgage Corporation, organized in September 1995, originates and sells residential mortgages. See Note 16 to the Consolidated Financial Statements for summarized financial information by business segment.

C&F Mortgage Corporation provides mortgage services through seven locations in Virginia and two in Maryland. The Virginia offices are in Richmond (two locations), Williamsburg, Newport News, Charlottesville, Lynchburg, and Chester. The Maryland offices are in Crofton and Columbia.

As of December 31, 1999, a total of 278 persons were employed by the Corporation, of whom 24 were part-time. The Corporation considers relations with its employees to be excellent.

Competition

The Bank is subject to competition from various financial institutions and other companies or firms that offer financial services. The Bank's principal competition in its market area consists of all the major statewide banks. The Bank also competes for deposits with savings associations, credit unions, money- market funds, and other community banks. In making loans, the Bank competes with consumer finance companies, credit unions, leasing companies, and other lenders.

C&F Mortgage Corporation competes for mortgage loans in its market areas with other mortgage companies, commercial banks, and other financial institutions.

C&F Investment Services and C&F Insurance Services compete with other investment companies, brokerage firms, and insurance companies to provide these services.

C&F Title Agency competes with other title companies.

Regulation and Supervision

The Corporation is subject to regulation by the Federal Reserve Bank under the Bank Holding Company Act of 1956. The Corporation is also under the jurisdiction of the Securities and Exchange Commission and certain state securities commissions with respect to matters relating to the offer and sale of its securities. In addition, the Bank is subject to regulation and examination by the State Corporation Commission and the Federal Deposit Insurance Corporation.

ITEM 2. PROPERTIES

The following describes the location and general character of the principal offices and other materially important physical properties of the Corporation and its subsidiary.

The Corporation owns the headquarters located at Eighth and Main Streets in the business district of West Point, Virginia. The building, originally constructed in 1923, has three floors totaling 15,000 square feet. This building houses the Citizens and Farmers Bank main office branch and office space for the Coorporation's administrative personnel.

The Corporation owns a building located at Seventh and Main Streets in West Point, Virginia. The building provides space for Citizens and Farmers Bank operations functions and staff. The building was originally constructed prior to 1935 and remodeled by the Corporation in 1991. The two-story building has 20,000 square feet.

The Corporation also owns a building located at Sixth and Main Streets in West Point, Virginia. The building provides space for Citizens and Farmers Bank loan operations functions and staff. The building was bought and remodeled by the Corporation in 1998. The building has 5,000 square feet.

Citizens and Farmers Bank owns ten other branch locations in Virginia. Also, the Bank owns several lots in West Point, Virginia, and one other lot in New Kent County, Virginia.

C&F Mortgage Corporation has nine leased offices, seven in Virginia and two in Maryland. Rental expense for these locations totaled $330,000 for the year ended December 31, 1999.

All of the Corporation's properties are in good operating condition and are adequate for the Corporation's present and anticipated future needs.

ITEM 3. LEGAL PROCEEDINGS

There are no material pending legal proceedings to which the Corporation is a party or of which the property of the Corporation is subject.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted during the fourth quarter of the fiscal year covered by this report to a vote of security holders of the Corporation through a solicitation of proxies or otherwise.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The information contained on pages 43 and 45 of the 1999 Annual Report to Shareholders, which is attached hereto as Exhibit 13, under the captions, "Note 18: Quarterly Condensed Statements of Income - Unaudited" and "Investor Information," is incorporated herein by reference.

ITEM 6. SELECTED FINANCIAL DATA

The information contained on page 10 of the 1999 Annual Report to Shareholders, which is attached hereto as Exhibit 13, under the caption, "Five Year Financial Summary," is incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The information contained on pages 9 through 23 of the 1999 Annual Report to Shareholders, which is attached hereto as Exhibit 13, under the caption, "Management's Discussion and Analysis of Financial Condition and Results of Operation," is incorporated herein by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information contained on pages 14 through 16 of the 1999 Annual Report to Shareholders, which is attached hereto as Exhibit 13, under the caption, "Management's Discussion and Analysis of Financial Condition and Results of Operation," is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information contained on pages 24 through 44 of the 1999 Annual Report to Shareholders, which is attached hereto as Exhibit 13, under the captions, "Consolidated Financial Statements," "Notes to Consolidated Financial Statements," and "Independent Auditors' Report," is incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by Item 10 with respect to the Directors of the Registrant is contained on pages 3 through 4 of the 2000 Proxy Statement, which is attached hereto as Exhibit 99, under the caption, "Election of Directors," is incorporated herein by reference.

The information in the following table pertains to the executive officers of the Corporation.

Executive Officers of C&F Financial Corporation

Name (Age) Present Position	Business Experience During Past Five Years	Number of Shares Beneficially Owned as of March 21, 2000
Larry G. Dillon (47) Chairman, President and Chief Executive Officer	President of the Bank since 1989	47,634 /(1)/
Gari B. Sullivan (62) Secretary	Senior Vice President of the Bank since 1990	9,451 /(1)/
Thomas F. Cherry (31) Chief Financial Officer	Promoted to Senior Vice President of the Bank in December 1998; Vice President of the Bank from December 1996 to December 1998; Manager with Price Waterhouse, LLP in Norfolk, prior to December 1996	3,500 /(1)/

/(1)/ Includes exercisable options of 17,500, 7,167, and 3,300 held by Messrs. Dillon, Sullivan, and Cherry, respectively.

ITEM 11. EXECUTIVE COMPENSATION

The information contained on pages 5 through 7 of the 2000 Proxy Statement, which is attached hereto as Exhibit 99, under the caption, "Executive Compensation," is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP ON CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information contained on page 2 of the 2000 Proxy Statement, which is attached hereto as Exhibit 99, under the caption, "Principal Holders of Capital Stock," is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information contained on page 5 of the 2000 Proxy Statement, which is attached hereto as Exhibit 99, under the caption, "Interest of Management In Certain Transactions," is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS AND REPORTS ON FORM 8-K

14 (a) Exhibits

Exhibit No. 3: Articles of Incorporation and Bylaws

Articles of Incorporation and Bylaws of C&F Financial Corporation filed as Exhibit Nos. 3.1 and 3.2, respectively, to Form 10KSB filed March 29, 1996, of C&F Financial Corporation is incorporated herein by reference.

Exhibit No. 10: Material Contracts

Exhibit No. 13: C&F Financial Corporation 1999 Annual Report to Shareholders

Exhibit No. 21: Subsidiaries of the Registrant

Citizens and Farmers Bank, incorporated in the Commonwealth of Virginia (100% owned)

Exhibit No. 23: Consents of experts and counsel

23.1 Consent of Yount, Hyde & Barbour, P.C.

Exhibit No. 27: Financial Data Schedule

Exhibit No. 99: Additional Exhibits

99.1 C&F Financial Corporation 1999 Annual Meeting Proxy Statement

14 (b) Reports on Form 8-K filed in the fourth quarter of 1999:
None.

14 (c) Exhibits to this Form 10-K are either filed as part of this Report or are incorporated herein by reference.

14 (d) Financial Statements Excluded from Annual Report to Shareholders pursuant to Rule 14a3(b).
Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, C&F Financial Corporation has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized:

C&F FINANCIAL CORPORATION

Larry G. Dillon Chairman, President and Chief Executive Officer	Thomas F. Cherry Senior Vice President and Chief Financial Officer
Date: March 21, 2000	Date: March 21, 2000

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

J. P. Causey Jr., Director	Date: March 21, 2000
James H. Hudson III, Director	Date: March 21, 2000
Larry G. Dillon, Director	Date: March 21, 2000
William E. O'Connell Jr., Director	Date: March 21, 2000
Sture G. Olsson, Director	Date: March 21, 2000

CHANGE IN CONTROL AGREEMENT

THIS AGREEMENT is entered into as of the ___ day of August, 1999, by and between C&F FINANCIAL CORPORATION, a Virginia corporation (the "Company"), and THOMAS F. CHERRY (the "Executive").

RECITALS

I. The Executive currently serves as Senior Vice President and Chief Financial Officer of Citizens and Farmers Bank, is a key member of management of the Company and its affiliates, and his services and knowledge are valuable to the Company and its affiliates.

II. The Board (as defined below) has determined that it is in the best interest of the Company and its shareholders to assure that the Company and its affiliates will have the continued dedication of the Executive, notwithstanding the possibility, threat or occurrence of a Change in Control (as defined below) of the Company. The Board believes it is imperative to diminish the inevitable distraction of the Executive by virtue of the personal uncertainties and risks created by a pending or threatened Change in Control and to encourage the Executive's full attention and dedication to the Company and its affiliates currently and in the event of any threatened or pending Change in Control. Therefore, in order to accomplish these objectives, the Board has caused the Company to enter into this Agreement.

NOW, THEREFORE, it is hereby agreed as follows:

1. CERTAIN DEFINITIONS.

(a) "Agreement Effective Date" means August __, 1999.

(b) The "Agreement Term" means the period commencing on the Agreement Effective Date and ending on the earlier of (i) the Agreement Regular Termination Date or (ii) the date this Agreement terminates pursuant to Section
7. The "Agreement Regular Termination Date" means the third anniversary of the Agreement Effective Date, provided, however, that commencing on the first anniversary of the Agreement Effective Date, and on each subsequent anniversary (such date and each subsequent anniversary shall be hereinafter referred to as the "Renewal Date"), unless this Agreement is previously terminated, the Agreement Regular Termination Date shall be automatically extended for three years from the latest Renewal Date, unless at least one month prior to the latest Renewal Date, the Company shall give notice to the Executive in accordance with Section 10(c) of this Agreement that the Agreement Regular Termination Date shall not be so extended.

(c) "Board" means the Board of Directors of the Company.

(d) "Cause" means:

(i) the willful and continued failure of the Executive to substantially perform his duties with the Company or one of its affiliates (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to the Executive by the Board, pursuant to a vote of a majority of the Directors of the Company, which specifically identifies the manner in which the Directors of the Board believe that the Executive has not substantially performed his duties, or

(ii) the willful engaging by the Executive in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Company.

For purposes of this provision, no act or failure to act, on the part of the Executive, shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interest of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company. The cessation of employment of the Executive shall not be deemed to be for Cause unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than two-thirds of the members of the Board at a meeting of the Board called and held for such purpose (after reasonable notice is provided to the Executive in accordance with Section 10(c) of this Agreement and the Executive is given an opportunity, together with counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, the Executive has engaged in the conduct described in paragraph (i) or
(ii) above, and specifying the particulars thereof in detail.

(e) The "Change in Control Date" means the first date during the Agreement Term on which a Change in Control (as defined in Section 2) occurs. Anything in this Agreement to the contrary notwithstanding, if a Change in Control occurs and if the Executive's employment with the Company is terminated prior to the date on which the Change in Control occurs, and if it is reasonably demonstrated by the Executive that such termination of employment either (i) was at the request of a third party who has taken steps reasonably calculated to effect a Change in Control or (ii) otherwise arose in connection with or anticipation of a Change in Control, then for all purposes of this Agreement the "Change in Control Date" shall mean the date immediately prior to the date of such termination of employment.

(f) "Company" means C&F Financial Corporation, a Virginia corporation.

(g) "Coverage Period" means the period of time beginning with the Change in Control Date and ending on the earliest to occur of (i) the Executive's death and (ii) the sixty-first day after the first anniversary of the Change in Control Date.

(h) "Disability" means the absence of the Executive from his duties with the Company on a full-time basis for six months as a result of incapacity to serve as the Area President of Hanover Bank, including substantially all duties normally considered a part thereof, due to mental or physical illness or injury which is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Executive or the Executive's legal representative. If the Company determines in good faith that the Disability of the Executive has occurred, it may give to the Executive written notice in accordance with Section 10(c) of this Agreement of its intention to terminate the Executive's employment. In such event, the Executive's employment with the Company shall terminate effective on the 30th day after receipt of such notice by the Executive (the "Disability Effective Date"), provided that, within the 30 days after such receipt, the Executive shall not have returned to full-time performance of his duties.

(i) "Good Reason" means any good faith determination made by the Executive (which determination shall be conclusive) that any of the following has occurred:

(i) the occurrence, on or after the Agreement Effective Date and during the Coverage Period, of any of the following:

(A) the assignment to the Executive of any duties inconsistent in any material adverse respect with the Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities immediately prior to the Change in Control, or any other action by the Company or its affiliates which results in a diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive in accordance with Section 10(c) of this Agreement;

(B) a reduction by the Company or its affiliates in the Executive's rate of annual base salary, benefits (including, without limitation, incentive or bonus pay arrangements, stock plan benefit arrangements, and retirement and welfare plan coverage) and perquisites as in effect immediately prior to the Change in Control or as the same may be increased from time to time thereafter, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive in accordance with Section 10(c) of this Agreement;

(C) the Company's requiring the Executive to be based at any office or location more than 35 miles from the facility where the Executive is located at the time of the Change in Control or the Company' s requiring the Executive to travel on Company business to a substantially greater extent than required immediately prior to the Change in Control Date (but determined without regard to travel necessitated by reason of any anticipated Change in Control);

(D) any purported termination by the Company or its affiliates of the Executive's employment otherwise than as expressly permitted by this Agreement;

(E) any failure by the Company or its affiliates to comply with and satisfy Section 9(c) of this Agreement by obtaining satisfactory agreement from any successor to assume and perform this Agreement; or

(F) so long as no Cause for Executive's termination by the Company exists (or would exist assuming the Board made a determination of Cause), a voluntary cessation by the Executive of his employment for any reason during any Window Period.

(ii) any event or condition described in paragraph (i) of this
Section 1(i) which occurs on or after the Agreement Effective Date, but prior to a Change in Control, but was at the request of a third party who effectuates the Change in Control, notwithstanding that it occurred prior to the Change in Control, but such event or condition shall not be considered to actually have occurred until the Change in Control Date.

(j) "Covered Termination" means a termination of Executive's employment during the Coverage Period (i) by the Company for any reason other than Cause or the Executive's Disability or death, or (ii) by the Executive for Good Reason.

(k) "Noncovered Termination" means a cessation of Executive's employment which is not a Covered Termination.

(l) "Window Period" means any of (i) the 60-day period commencing on the Change in Control Date, (ii) the 60-day period commencing on the first anniversary of the

Change in Control Date, and (iii) the 60-day period commencing on the second anniversary of the Change in Control Date.

2. CHANGE IN CONTROL. "Change in Control" means the occurrence, during the Agreement Term, of either an "Acquisition of Controlling Ownership" (as defined in Section 2(a) below), a "Change in the Incumbent Board" (as defined in Section 2(b) below), a "Business Combination" (as defined in Section 2(c) below), or a "Liquidation or Dissolution" (as defined in Section 2(d) below).

(a) "Acquisition of Controlling Ownership" means the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (a "person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (x) the then outstanding shares of common stock of the Company (the "Outstanding Common Stock") or (y) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Voting Securities"). Notwithstanding the foregoing, for purposes of this Section 2(a), the following acquisitions shall not constitute a Change in Control:

(i) any acquisition directly from the Company,

(ii) any acquisition by the Company,

(iii) any acquisition by any employee benefit plan (or related trust sponsored or maintained by the Company or any corporation controlled by the Company, or

(iv) any acquisition by any corporation pursuant to a transaction which complies with paragraphs (i), (ii) and (iii) of this Section 2(c).

(b) "Change in the Incumbent Board" means that individuals who, as of August __, 1999, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board. For this purpose, any individual who becomes a director subsequent to August __, 1999 whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be thereupon considered a member of the Incumbent Board (with his predecessor thereafter ceasing to be a member), but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board.

(c) "Business Combination" means the consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company (a "Business Combination") unless all of the following occur:

(i) all or substantially all of the individuals and entities who were the beneficial owners respectively, of the Outstanding Common Stock and Outstanding Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantial all of the Company's assets either directly or through one or more subsidiaries, in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Common Stock and Outstanding Voting Securities, as the case may be,

(ii) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination, or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination, and

(iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination.

(d) "Liquidation or Dissolution" means the approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

3. OBLIGATIONS OF THE EXECUTIVE TO REMAIN EMPLOYED. The Executive agrees that in the event any person or group attempts a Change in Control, he shall not voluntarily leave the employ of the Company without Good Reason (i) until such attempted Change in Control terminates or (ii) if a Change in Control shall occur, until the Change in Control Date. For purposes of the foregoing clause (i), Good Reason shall be determined as if a Change in Control had occurred when such attempted Change in Control became known to the Board.

4. OBLIGATIONS UPON THE EXECUTIVE'S TERMINATION.

(a) Notice of Termination. Any termination of the Executive's employment by the Company or by the Executive, other than by reason of death, shall be communicated by Notice of Termination to the other party hereto given. For purposes hereof:

(i) "Notice of Termination" means a written notice given in accordance with Section 10(c) of this Agreement which (A) states whether such termination is for Cause, Good Reason or Disability, (B) indicates the specific termination provision in this Agreement relied upon, if any, (C) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated, and (D) if the Date of Termination is other than the date of receipt of such notice, specifies the termination date. The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason, Cause or Disability shall not waive any right of the Executive or the Company, respectively, hereunder or preclude the Executive or the Company, respectively, from asserting such fact or circumstance in enforcing the Executive's or the Company's rights hereunder.

(ii) "Date of Termination" means (A) if the Executive's employment is terminated by reason of Disability, the Disability

Effective Date, (B) if the Executive's employment is terminated by the Company for any reason other than Disability, the date of the Executive's receipt of the Notice of Termination or any later date specified therein, as the case may be, and (C) if the Executive's employment is terminated by the Executive for any reason, the date of the Company's receipt of the Notice of Termination or any later date specified therein, as the case may be,

(b) Obligations of the Company in a Covered Termination. If the Executive's employment shall cease by reason of a Covered Termination, then the following shall be paid or provided (the payments and benefits described in (i),
(ii) and (iii) below may hereinafter sometimes be referred to as the "Change in Control Benefit" or "Change in Control Benefits"):

(i) the Company shall pay or cause to be paid in cash to the Executive four (4) consecutive quarterly installments, with interest at the applicable federal rate (as defined in Section 1274(d) of the Internal Revenue Code of 1986, as amended (the Code") determined at the Change in Control Date on the unpaid balance paid at the same time on each installment payment other than the first payment, with the first of such installments being paid not later than 30 days after the Date of Termination, (or if the Executive requests and the Company agrees in a lump sum within 30 days after the Date of Termination) and with the aggregate payments (excluding interest) totaling an amount equal to the sum of the Executive's (1) highest aggregate annual base salary from the Company and its affiliated companies in effect at any time during the 24 month period ending on the Change in Control Date and (2) highest annual bonus (including any deferrals thereof) from the Company and its affiliated companies payable for the Company's three fiscal years immediately preceding the fiscal year which includes the Change in Control Date;

(ii) for one year after the Executive's Date of Termination, or such longer period as may be provided by the terms of the appropriate plan, program, practice or policy, the Company shall continue or cause to be continued benefits to the Executive and/or the Executive's family at least equal to those under the Welfare Benefit Plans. If the Executive becomes reemployed with another employer and is eligible to receive medical or other welfare benefits under another employer-provided plan, the medical and other welfare benefits described herein shall be secondary to those provided under such other plan during such applicable period of eligibility. For purposes of determining eligibility (but not the time of commencement of benefits) of the Executive for any retiree benefits pursuant to such plans, practices, programs and policies, the Executive shall be considered to have remained employed until one year after the Date of Termination and to have retired on the last day of such period. For purposes hereof, the term "Welfare Benefit Plan" means the welfare benefit plans, practices, policies and programs provided by the Company and its affiliates (including, without limitation, any medical, prescription, dental, vision, disability, life, accidental death and travel accident insurance plans and split dollar insurance programs) to the extent applicable generally to other peer executives of the Company and its affiliates, but in no event shall such plans, practices, policies and programs provide the Executive with benefits which are less favorable, in the aggregate, than the most favorable of such plans, practices, policies and programs in effect for the Executive at any time during the one year period immediately preceding the Change in Control Date or, if more favorable to the Executive, those provided generally at any time after the Change in Control Date to other peer executives of the Company and its affiliated companies;

(iii) to the extent not theretofore paid or provided, the Company shall timely pay or cause to be paid or provide or cause to be provided to the Executive any other amounts or benefits required to be paid or provided or which the Executive is eligible to receive under any compensation arrangement, plan, program, policy or practice or contract or agreement of the Company and its affiliated companies (such other amounts and benefits shall be hereinafter referred to as the "Other Benefits").

(c) Obligations of the Company in a Noncovered Termination. If the Executive's employment shall cease by reason of a Noncovered Termination, this Agreement shall terminate without further obligations to the Executive other than the obligation timely to pay or cause to be paid or provide or cause to be provided to the Executive his Other Benefits.

5. FULL SETTLEMENT.

(a) No Offset or Mitigation. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Executive. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and such amounts shall not be reduced whether or not the Executive obtains other employment.

(b) Executive's Expense in Dispute Resolution. The Company agrees to pay, to the full extent permitted by law, all legal fees and expenses which the Executive may reasonably incur as a result of a contest (in which the Executive substantially prevails) by the Company, the Executive or others of the validity or enforceability of, or liability under, any provision of this Agreement or any guarantee of performance thereof (including as a result of any contest by the Executive about the amount of any payment pursuant to this Agreement), plus in each case interest on any delayed payment at the lower of (i) the Wall Street Journal Prime Rate or (ii) the applicable Federal mid-term rate provided for in
Section 1274(d), compounded semi-annually, of the Code.

(c) Payment prior to Dispute Resolution. If there shall be any dispute between the Company and the Executive in the event of any termination of Executive's employment, then, unless and until there is a final, nonappealable judgment by a court of competent jurisdiction declaring that such termination was a Noncovered Termination, that the determination by the Executive of the existence of Good Reason was not made in good faith, or that the Company is not otherwise obligated to pay any amount or provide any benefit to the Executive and his dependents or other beneficiaries, as the case may be, under Section
4(b), the Company shall pay all amounts, and provide all benefits, to the Executive and his dependents or other beneficiaries, as the case may be, that the Company would be required to pay or provide pursuant to Section 4(b) as though such termination were not a Noncovered Termination. Notwithstanding the foregoing, the Company shall not be required to pay any disputed amounts pursuant to this Section 5(c) except upon receipt of an adequate bond, letter of credit or undertaking by or on behalf of the Executive to repay all such amounts to which the Executive is ultimately adjudged by such court not to be entitled.

6. PAYMENT LIMITATIONS.

(a) Excise Tax Payment Limitation. Notwithstanding anything contained in this Agreement or any other agreement or plan to the contrary, the payments and benefits

provided to, or for the benefit of, the Executive under this Agreement or under any other plan or agreement which became payable or are taken into account as a result of the Change in Control (the "Payments") shall be reduced (but not below zero) to the extent necessary so that no payment to be made, or benefit to be provided, to the Executive or for his benefit under this Agreement or any other plan or agreement shall be subject to the imposition of an excise tax under
Section 4999 of the Code (such reduced amount is hereinafter referred to as the "Limited Payment Amount"). Unless the Executive and the Company shall otherwise agree, the Company shall reduce or eliminate the Payments to the Executive by first reducing or eliminating those payments or benefits which are not payable in cash and then by reducing or eliminating cash payments, in each case in reverse order beginning with payments or benefits which are to be paid the farthest in time from the Determination (as hereinafter defined). Any notice given by the Executive pursuant to the preceding sentence shall take precedence over the provisions of any other plan, arrangement or agreement governing Executive's rights and entitlements to any benefits or compensation.

(b) Excise Tax Payment Limitation Determinations. All determinations required to be made under this Section 6 shall be made by the Company's public accounting firm (the "Accounting Firm"). The Accounting Firm shall provide its calculations, together with detailed supporting documentation, both to the Company and the Executive within fifteen days after the receipt of notice from the Company that there has been a Payment (or at such earlier times as is requested by the Company) and, with respect to any Limited Payment Amount, a reasonable opinion to the Executive that he is not required to report any excise tax on his federal income tax return with respect to the Limited Payment Amount (collectively the "Determination"). In the event that the Accounting Firm is serving as an accountant or auditor for the individual, entity or group effecting the Change in Control, the Executive shall appoint another nationally recognized public accounting firm to make the determination required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees, costs and expenses (including, but not limited to, the costs of retaining experts) of the Accounting Firm shall be borne by the Company. The Determination by the Accounting Firm shall be binding upon the Company and the Executive (except as provided in Section 6(c) below).

(c) Excise Tax Excess Payments Considered a Loan. If it is established pursuant to a final determination of a court or an Internal Revenue Service (the "IRS") proceeding which has been finally and conclusively resolved, that Payments have been made to, or provided for the benefit of, the Executive by the Company, which are in excess of the limitations provided in Section 6(a) (hereinafter referred to as an "Excess Payment"), such Excess Payment shall be deemed for all purposes to be a loan to the Executive made on the date the Executive received the Excess Payment and the Executive shall repay the Excess Payment to the Company on demand, together with interest on the Excess Payment at the applicable federal rate (as defined in Section 1274(d) of the Code) from the date of Executive's receipt of such Excess Payment until the date of such repayment. As a result of the uncertainty in the application of Section 4999 of the Code at the time of Determination, it is possible that Payments which will not have been made by the Company should have been made (an "Underpayment"), consistent with the calculations required to be made under this Section 6. In the event that it is determined (i) by the Accounting Firm, the Company (which shall include the position taken by the Company, or together with its consolidated group, on its federal income tax return) or the IRS or (ii) pursuant to a determination by a court, that an Underpayment has occurred, the Company shall pay an amount equal to such Underpayment to the Executive within ten days of such determination together with interest on such amount at the applicable federal rate from the date such amount would have been paid to the Executive until the date of payment.

(d) Banking Payment Limitation. Notwithstanding anything contained in this Agreement or any other agreement or plan to the contrary, the payments and benefits provided to, or for the benefit of, the Executive under this Agreement or under any other plan or agreement shall be reduced (but not below zero) to the extent necessary so that no payment to be made, or benefit to be provided, to the Executive or for his benefit under this

Agreement or any other plan or agreement shall be in violation of the golden parachute and indemnification payment limitations and prohibitions of 12 CFR
Section 359.

7. TERMINATION OF AGREEMENT. This Agreement shall be effective as of the Agreement Effective Date and shall normally continue until the later of the Agreement Regular Termination Date or, if a Change in Control has occurred, until the end of the Coverage Period. Notwithstanding the foregoing, this Agreement shall terminate in any event upon the Executive's cessation of employment in a Noncovered Termination.

8. CONFIDENTIAL INFORMATION.

(a) No Disclosure by Executive. The Executive shall hold in a fiduciary capacity for the benefit of the Company all secret or confidential information, knowledge or data relating to the Company or any of its affiliated companies, and their respective businesses, which shall have been obtained by the Executive during the Executive's employment by the Company or any of its affiliated companies and which shall not be or become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). After termination of the Executive's employment with the Company, the Executive shall not, without the prior written consent of the Company or as may otherwise be required by law or legal process, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it.

(b) Remedies for Breach. It is recognized that damages in the event of breach of Section 8(a) above by the Executive would be difficult, if not impossible, to ascertain, and it is therefore specifically agreed that the Company, in addition to and without limiting any other remedy or right it may have, shall have the right to an injunction or other equitable relief in any court of competent jurisdiction, enjoining any such breach. The existence of this right shall not preclude the Company from pursuing any other rights and remedies at law or in equity which it may have.

(c) Breach Not Basis to Withhold Payment. In no event shall an asserted violation of the provisions of this Section 8 constitute a basis for deferring or withholding any amounts otherwise payable to the Executive under this Agreement.

9. BENEFIT AND SUCCESSORS.

(a) Executive's Benefit. This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive should die and any amount remains payable thereunder after his death, any such amount, unless otherwise agreed by the Company or provided herein, shall be paid in accordance with the terms of this Agreement to the Executive's devisee, legatee or other designee of such payment or, if there is no such designee, the Executive's estate.

(b) Company's Benefit. This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

(c) Assumption by Successor to Company. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

10. MISCELLANEOUS.

(a) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Virginia, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect.

(b) Amendment. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto on their respective successors and legal representatives.

(c) Notices. All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive:

Thomas F. Cherry

If to the Company:

President, C&F Financial Corporation
P. O. Box 391
8th & main Streets
West Point, Virginia 23181

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(d) Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(e) Tax Withholding. The Company may withhold from any amounts payable under this Agreement such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(f) Waiver. The Executive's or the Company's failure to insist upon strict compliance with any provision of this Agreement or the failure to assert any right the Executive or the Company may have hereunder, including, without limitation, the right of the Executive to terminate employment for Good Reason pursuant to this Agreement, shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

(g) Executive's Employment. The Executive and the Company acknowledge that, except as may otherwise be provided under any other written agreement between the Executive and the Company, the employment of the Executive by the Company is "at will" and, subject to paragraph (ii) of Section 1(i) hereof deeming a termination to have occurred on or after the occurrence of a Change in Control Date, the Executive's employment and/or this Agreement may be terminated by either the Executive or the Company at any time prior to the Change in Control Date, in which case the Executive shall have no further rights under this Agreement.

(h) Nonexclusivity of Rights. Except as expressly provided in Section 6, nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, program, policy or practice provided by the Company or any of its affiliated companies and for which the Executive may qualify, nor shall anything herein limit or otherwise affect such rights as the Executive may have under any contract or agreement with the Company or any of its affiliated companies. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan, policy, practice or program of or any contract or agreement with the Company or any of its affiliated companies at or subsequent to the Executive's termination shall be payable in accordance with such plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement.

(i) Statutory References. Any reference in this Agreement to a specific statutory provision shall include that provision and any comparable provision or provisions of future legislation amending, modifying, supplementing or superseding the referenced provision.

(j) Nonassignability. This Agreement is personal to the Executive, and without the prior written consent of the Company, no right, benefit or interest hereunder shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, except by will or the laws of descent and distribution, and any attempt thereat shall be void; and no right, benefit or interest hereunder shall, prior to receipt of payment, be in any manner liable for or subject to the recipient's debts, contracts, liabilities, engagements or torts.

(k) Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be considered an original and all of which together shall constitute one agreement.

(l) Employment with Affiliates. Employment with the Company for purposes of this Agreement shall include employment with any corporation or other entity in which the Company has a direct or indirect ownership interest of 50% or more of the total combined voting power of the then outstanding securities of such corporation or other entity entitled to vote generally in the election of directors or which has a direct or indirect ownership interest of 50% or more of the total combined voting power of the then outstanding securities of the Company entitled to vote generally in the election of directors.

IN WITNESS WHEREOF, the Executive has hereunto set the Executive's hand and, pursuant to the authorization from its Board of Directors, the Company has caused these presents to be executed in its name on its behalf, all as of the day and year first above written.

C&F FINANCIAL CORPORATION

By:
Larry G. Dillon, President

Thomas F. Cherry

1999 FINANCIAL HIGHLIGHTS

C&F Financial Corporation (the "Corporation") is a one-bank holding company with administrative offices in West Point, Virginia. Its wholly-owned subsidiary, Citizens and Farmers Bank, offers quality banking services to individuals, professionals, and small businesses through nine branch offices serving the surrounding towns and counties. Citizens and Commerce Bank, which operates as a division of Citizens and Farmers Bank, offers quality banking services in the Richmond market. Citizens and Farmers Bank has three wholly-owned subsidiaries. C&F Mortgage Corporation originates and sells residential mortgages. These mortgage services are provided through seven offices in Virginia and two offices in Maryland. Brokerage services are offered through C&F Investment Services, Inc. C&F Title Agency, Inc., offers title insurance services. Trust services are provided in association with The Trust Company of Virginia.

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BANKING MORTGAGE INVESTMENT COMMERCIAL

[GRAPH]

Return on Average Equity

1996	12.66%
1997	16.08%
1998	17.81%
1999	19.22%

[GRAPH]

Return on Average Assets

1996	1.65%
1997	1.90%
1998	2.03%
1999	2.19%

[GRAPH]

Net Income
dollars in thousands

1996	$4,061
1997	$4,937
1998	$6,134
1999	$6,756

[GRAPH]

Earnings Per Share

1996	$ .92
1997	$1.25
1998	$1.56
1999	$1.81

OUR MISSION

[GRAPHIC]

It is the mission of the directors, offices, and the staff to maximize the long-term wealth of the shareholders of C&F Financial Corporation through Citizens and Farmers Bank and its other subsidiaries.

We believe we provide a superior value when we balance long-term and short-term objectives to achieve both a competitive return on investment and a consistent increase in the market value of the Corporation's stock.

This must be achieved while maintaining adequate liquidity and safety standards for the protection of all of the Corporation's interested parties, especially its depositors and shareholders.

This mission will be accomplished by providing our customers with distinctive service and quality financial products which are responsive to their needs, fairly priced, and delivered promptly and efficiently with the highest degree of accuracy and professionalism.

[GRAPHIC]

LETTER FROM THE PRESIDENT

Dear Fellow Shareholders

[PHOTO]

Larry G. Dillon
Chairman, President, and Chief
Executive Officer

On behalf of the Board of Directors, I am pleased to present this Annual Report for C&F Financial Corporation for the year 1999. Our financial results for 1999 continue to place our corporation at the top of its peer group in both Virginia and the nation. Our earnings, assets, and returns all outpaced the records set in 1998.

In 1999, net income totaled $6.8 million, or 10.14% higher than the record earnings of 1998. This resulted in a return on average assets of 2.07% and a return on average equity of 18.17% (these returns do not include the $370,000, net, one-time increase in earnings discussed below), up from 2.03% and 17.81%, respectively, in 1998. Our earnings also compare favorably with those of our peers, who as of September 30, 1999 showed average annualized returns on average assets of 1.09% and average equity of 12.32%.

Once again we are honored to have been named one of the top 50 mid-sized community banking organizations in the country by U. S. Banker. In its July 1999 issue, C&F Financial Corporation was recognized for its superior performance using the criteria of return on assets, return on equity, efficiency ratio, non-performing assets ratio, and leverage ratio. This is a recognition of which we are most proud.

Our success in 1999 was due to increased earnings at Citizens and Farmers Bank and C&F Investment Services, Inc., as well as strong performances by C&F Mortgage Corporation and C&F Title Agency, Inc. A part of Citizens and Farmers Bank's performance increase was due to the

collection of a non-accruing loan early in the year that resulted in a $370,000, net, onetime increase in the Bank's earnings for 1999. Also contributing to the improved earnings was the Bank's increase in net interest income, which resulted from higher interest income combined with lower interest costs. The increase in interest income was primarily the result of increased loan volume. Please review Management's Discussion and Analysis for a more in-depth review of our numbers.

Our subsidiary companies continue to positively impact the performance and services of the Corporation. While contributing significantly to the Corporation's earnings in 1999, C&F Mortgage Corporation did experience a slight decline in its earnings compared to 1998, as mortgage loan production declined due to the increase in home mortgage interest rates. This decrease in production has been experienced by mortgage companies across the nation so it is not unique to C&F. Some, in fact, experienced losses for the year 1999.

The decline in production also impacted the earnings of C&F Title Agency, Inc., whose earnings are closely correlated with those of the Mortgage Corporation. With the decline in mortgage loan production there was a The decline in production also impacted the earnings of C&F Title Agency, Inc., whose earnings are closely correlated with those of the Mortgage Corporation. With the decline in mortgage loan production there was a corresponding decline in business at the Title Agency and hence a decline in earnings.

At C&F Investment Services, Inc., sales and income were both up for 1999. We are very pleased with the contributing impact these services are adding both to our product offerings and net income. Increased earnings also indicate how important the addition of this service is to our customer base. During 1999, assets under management increased by more than $16 million, reaching in excess of $83 million at year-end. We now have three full-time brokers serving our nine offices and anticipate adding more in 2000. We are excited with our customers' acceptance and demand for this service.

In 1999, we took the first step toward another line of services, which we anticipate will round out our product line and add to our future profitability. We joined a consortium of state community banks and, under the auspices of the Virginia Bankers Association, have formed the Virginia Bankers Insurance Center, LLC to enter the insurance sales marketplace. The strategy for this consortium is to join resources to acquire an existing general insurance agency and thereby allow us to offer a full line of insurance products. This strategy will provide us a lower cost of entry into the insurance arena; give us the opportunity to buy into a larger and more diversified agency; give us an experienced insurance agency staff to service an array of various products; and will outsource management so that we can concentrate on sales. It is anticipated that an agency will be acquired during the first half of 2000, and the opportunities for sales will begin shortly thereafter.

Another initiative undertaken in 1999 was the establishment of our Loan Operations Center in West Point. After a lengthy study, it was determined that in the long range interest of the Bank, the consolidation of the backroom loan functions would not only enhance customer service, but would help us assure uniformity in loan underwriting and production. In the long run, it will reduce the number of loan personnel needed throughout the organization and the costs associated with future training. An additional benefit will be to greatly reduce the risk of any loan discrimination, which is important to us as well as to our customers. In the short run, this center will add to our overhead, but in the long run will help us provide better service at reduced costs.

During 1999, Citizens and Farmers Bank took a step that was somewhat unusual in the Virginia banking marketplace. We formed a new bank, Citizens and Commerce Bank ("CCB"), which while legally a division of Citizens and Farmers Bank, will operate as a separate entity. The advantages of this structure are that the setup is more efficient; regulatory oversight is less burdensome; CCB will have the capacity to make larger loans as compared to being separately chartered; and the two banks can more easily serve each others' customers.

Headquartered in Richmond, Virginia, Citizens and Commerce Bank will cater to both the consumer and small-business markets. CCB opened its first branch on West Broad Street in Richmond in November and anticipates opening several additional branches within the next two to three years. With a management team that is very familiar with the Richmond small-business market and an active, local Board of Directors, we anticipate this new organization will be very successful in contributing to the future growth and earnings of the corporation.

In April of this year, Citizens and Farmers Bank will open its tenth branch office, which will be located at the corner of Jamestown Road and Route 199 in Williamsburg. This facility will be our first to have branch offices for Citizens and Farmers Bank, C&F Mortgage Corporation, and C&F Investment Services, Inc., all in the same location. We expect this to be an excellent addition to our branching network.

While our goal had been to offer internet banking to our customers before the end of 1999, we deemed it appropriate to delay that service offering until sometime this year. With the "Y2K" cloud hanging over us the latter part of 1999, we felt it prudent to delay any major computer projects until after year-end. With Y2K successfully behind us we are now reevaluating the best solution for offering this service and anticipate having it in place later this year.

The year 2000 will be challenging in trying to maintain the same earnings level as was attained in 1999. However, we are confident that the future looks very bright for your corporation both for asset growth and future earnings.

We could not have achieved these extraordinary results without the dedication and hard work of an exceptional staff, the insight and direction of our Boards of Directors, and your support and patronage. Please accept our gratitude to all who have had a hand in making this a successful year.

/s/ Larry G. Dillon

Larry G. Dillon
Chairman, President, and Chief
Executive Officer

[GRAPHIC]

Citizens & Commerce Bank

In November 1999, Citizens and Farmers Bank opened Citizens & Commerce Bank ("CCB"), in Richmond, its first banking division operating as a local financial institution. It is anticipated that CCB will be able to expand through local management and decision making, while leveraging the many resources provided by Citizens and Farmers Bank. The Bank offers a full range of banking services to all its clients as well as mortgage and investment services offered through C&F Mortgage Corporation and C&F Investment Services, Inc. Citizens & Commerce employs skilled and seasoned bankers that blend old-fashioned customer service with highly diversified quality products that customers require today.

[GRAPHIC]

Banking Services

Citizens and Farmers Bank offers a wide array of general banking services to individuals, professionals, and small businesses through nine branch offices, with the tenth branch of Citizens and Farmers Bank opening in the second quarter of 2000. These services include a variety of checking and savings deposit accounts, as well as business, home equity, automobile, and other installment loans. With new relationship-based checking products, along with our latest addition, "Generations Gold," Citizens and Farmers Bank can provide an account that is best suited to meet the needs of our customers. In addition, the Bank offers "TeleBanc24," which allows our customers access to their accounts 24- hours a day from any touch-tone telephone.

[GRAPHIC]

Mortgage and
Title Services

C&F Mortgage offers programs designed for new home purchases, the first-time homebuyer, and home mortgage refinancing. By originating and selling residential mortgages, C&F Mortgage Corporation is able to offer competitive fixed and adjustable rate mortgages. Nine locations are available throughout Virginia and Maryland.

The relationship with C&F Mortgage allows our customers to take advantage of the best possible mortgage with competitive rates of interest. A mortgage loan officer is dedicated to each account, minimizing paperwork, reducing response time, and accelerating approvals. As a convenience to our customers, we provide title searches and title insurance through C&F Title Agency, Inc.

[GRAPHIC]

Established in 1927, Citizens and Farmers Bank continues to maintain superior customer service.

[PHOTO]

Standing (left to right) - Thomas B. Whitmore Jr., Joshua H. Lawson, J. P. Causey Jr., James H. Hudson III, Bryan E. McKernon, Paul C. Robinson. Seated (left to right) - William E. O'Connell Jr., P. L. Harrell, Larry G. Dillon, Reginald H. Nelson IV, Sture G. Olsson

[PHOTO]

Doug Cash and Eric Nost discuss the latest research report on internet stocks.

[GRAPHIC]

Investment Company

C&F Investment Services, Inc. is a full service investment company offering the advice of large investment firms with the advantage of home town personal service. Through its affiliation with Raymond James Financial Services, Inc., one of the largest brokerage operations in the U.S., the C&F investment team offers a complete and comprehensive line-up of products and services. Whether you are interested in stocks or bonds, mutual funds, tax-advantaged investments, or financial planning, the C&F investment team is dedicated to helping investors make their decisions in a familiar setting. For added convenience, C&F Investment Advisors are accessible at any of our bank branch locations.

[GRAPHIC]

Commercial
Banking

At Citizens and Farmers Bank, we understand that getting a loan is crucial to helping businesses grow. That's why we provide prompt responses to loan requests. For deposit needs, we offer many locations with convenient hours. Not only do we give quick and reliable service, but we also offer a full range of banking products designed specifically for businesses. Our merchant services program allows your businesses to process customers' credit card payments quickly and efficiently. With our individualized commercial account analysis, we are able to offer financial savings to help businesses prosper. But most of all our experienced and knowledgeable bankers are available to provide financial solutions to meet business needs.

[GRAPHIC]

Branch Manager, Alec Nuttall and Branch Operations Manager, Melissa Loudermilk, make final arrangements for the opening of the Jamestown Road Office in Williamsburg.

[PHOTO]

Standing (left to right) - Meade A. Spotts, Jeffery W. Jones, Scott E. Strickler Seated (left to right) - S. Craig Lane, William E. O'Connell Jr., Frank Bell III

OUR VALUES

We believe that excellence is the standard for all we do, achieved by encouraging and nourishing: respect for others; honest,open communication; individual development and satisfaction; a sense of ownership and responsibility for the Corporation's success; participation, cooperation, and teamwork; creativity, innovation,and initiative; prudent risk-taking; and recognition and rewards for achievement.

[GRAPHIC]

We believe that we must conduct ourselves morally and ethically at all times and in all relationships.

We believe that we have an obligation to the well-being of all the communities we serve.

We believe that our officers and staff are our most important assets, making the critical difference in how the Corporation performs and, through their work and effort, separate us from all competitors.

[GRAPHIC]

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

[LOGO]

The following discussion provides information about the major components of the results of operations, financial condition, liquidity, and capital resources of C&F Financial Corporation and subsidiary (the "Corporation").

This discussion and analysis should be read in conjunction with the Consolidated Financial Statements and Notes to the Consolidated Financial Statements.

	1999	1998	1997	1996	1995
Selected Year-End Balances:					
Total assets	$329,241,321	$320,863,629	$278,105,969	$256,671,312	$238,995,329
Total capital	35,129,710	36,647,493	31,800,533	32,214,509	31,818,296
Total loans (net)	206,115,896	169,918,428	154,744,620	136,732,017	110,012,320
Total deposits	260,853,635	251,673,159	231,513,152	216,422,556	204,001,334
Summary of Operations:					
Interest income	23,643,557	22,617,509	19,763,048	18,332,998	15,686,897
Interest expense	9,067,867	9,558,059	8,002,301	7,667,619	6,526,880
Net interest income	14,575,690	13,059,450	11,760,747	10,665,379	9,160,017
Provision for loan losses	600,000	600,000	330,000	30,000	--
Net interest income after provision for loan losses	13,975,690	12,459,450	11,430,747	10,635,379	9,160,017
Other income	11,274,596	11,009,622	6,657,608	4,678,915	1,233,267
Operating expenses	16,099,690	14,981,685	11,537,565	10,294,220	6,126,722
Income before taxes	9,150,596	8,487,387	6,550,790	5,020,074	4,266,562
Income tax expense	2,394,366	2,353,351	1,613,963	958,900	890,630
Net income	$ 6,756,230	$ 6,134,036	$ 4,936,827	$ 4,061,174	$ 3,375,932
Per share/1/					
Earnings per common share--assuming dilution	$1.81	$1.56	$1.25	$.92	$.76
Dividends	.49	.44	.35	.31	.30
Weighted average number of shares--assuming dilution	3,738,234	3,919,775	3,952,756	4,426,000	4,472,956

/1/Per share data has been restated to reflect the two-for-one stock split in July 1998.

Significant Ratios	1999	1998	1997
Return on average assets	2.19%	2.03%	1.90%
Return on average equity	19.22	17.81	16.08
Dividend payout ratio	26.60	27.70	27.75
Average equity to average assets	11.38	11.42	11.81

OVERVIEW

Net income totaled $6.8 million in 1999, an increase of 10.1% over 1998. Included in earnings for 1999 is $370,000 in interest income (after taxes) which resulted from the payoff of a non-accrual loan in January. Excluding this, net income increased 4.1% over 1998. In 1998, net income totaled $6.1 million, a 24.3% increase over 1997. Diluted earnings per share were $1.81, $1.56, and $1.25 in 1999, 1998, and 1997, respectively. Excluding the interest income collected on the non-accrual loan, diluted earnings per share was $1.71 in 1999. The increase in earnings per share was a result of higher net income and the repurchase of 247,500 shares of the Corporation's common stock in 1999 and 204,683 shares of the Corporation's common stock in 1997.

Profitability as measured by the Corporation's return on average equity (ROE), excluding the interest income collected on the non-accrual loan, was 18.17% in 1999, up from 17.81% in 1998, and 16.08% in 1997. Another key indicator of performance, the return on average assets (ROA) for 1999, excluding the interest income collected on the non-accrual loan, was 2.07%, compared to 2.03% and 1.90% for 1998 and 1997, respectively.

TABLE 1: Average Balances, Income and Expense, Yields and Rates

The following table shows the average balance sheets for each of the years ended December 31, 1999, 1998, and 1997. In addition, the amounts of interest earned on earning assets, with related yields and interest on interest-bearing liabilities, together with the rates, are shown. Loans include loans held for sale. Also, loans placed on a non-accrual status are included in the balances and were included in the computation of yields, upon which they had an immaterial effect. Interest on tax-exempt securities is on a taxable- equivalent basis, which was computed using the federal corporate income tax rate of 34% for all three years.

	1999			1998			1997		
(Dollars in thousands)	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate
Assets									
Securities:									
Taxable	$ 15,293	$ 1,097	7.17%	$ 33,607	$ 2,359	7.02%	$ 37,309	$ 2,737	7.34%
Tax-exempt	49,049	4,013	8.18	42,606	3,590	8.43	39,554	3,388	8.57
Total securities	64,342	5,110	7.94	76,213	5,949	7.81	76,863	6,125	7.97
Loans, net	216,295	18,850	8.71	206,353	17,790	8.62	165,168	14,656	8.87
Interest-bearing deposits in other banks and fed funds	9,621	458	4.76	1,088	69	6.34	1,251	68	5.44
Total earning assets	290,258	$24,418	8.41%	283,654	$23,808	8.39%	243,282	$20,849	8.57%
Reserve for loan losses	(3,003)			(2,451)			(2,032)		
Total non-earning assets	21,710			20,484			18,708		
Total assets	$308,965			$301,687			$259,958		
Liabilities and Shareholders' Equity									
Time and savings deposits:									
Interest-bearing deposits	$ 45,627	$ 1,084	2.38%	$ 37,178	$ 901	2.42%	$ 34,594	$ 890	2.57%
Money market deposits	25,207	807	3.20	21,984	718	3.27	23,416	767	3.28
Savings accounts	39,131	1,164	2.97	35,094	1,135	3.23	33,037	1,058	3.20
Certificates of deposit, $100M or more	17,977	857	4.77	16,670	819	4.91	14,137	466	3.30
Other certificates of deposit	89,467	4,416	4.94	87,938	4,616	5.25	82,655	4,493	5.44
Total time and savings deposits	217,409	8,328	3.83	198,864	8,189	4.12	187,839	7,674	4.09
Borrowings	15,002	740	4.93	25,169	1,369	5.44	6,441	328	5.09
Total interest-bearing liabilities	232,411	9,068	3.90	224,033	9,558	4.27	194,280	8,002	4.12
Demand deposits	35,697			35,987			31,449		
Other liabilities	5,701			7,221			3,533		
Total liabilities	273,809			267,241			229,262		
Shareholders' equity	35,156			34,446			30,696		
Total liabilities and shareholders' equity	$308,965			$301,687			$259,958		
Net interest income		$15,350			$14,250			$12,847	
Interest rate spread			4.51			4.12			4.45
Interest expense to average earning assets			3.12			3.37			3.29
Net interest margin			5.29%			5.02%			5.28%

RESULTS OF OPERATIONS

NET INTEREST INCOME

During 1999, net interest income, on a tax-equivalent basis, excluding the one-time interest collected on a non-accrual loan, increased 7.7% to $15.4 million from $14.3 million in 1998. This was a result of a 2.3% increase in the average balance of interest earning assets and an increase in the net interest margin to 5.29% for 1999 from 5.02% for 1998. The increase in the average balance of interest earning assets was a result of an increase in average balance of loans at Citizens and Farmers Bank (the "Bank") and an increase in the average balance of interest-bearing deposits in other banks and fed funds offset by a decrease in the average balance of securities and loans held for sale at C&F Mortgage Corporation (the "Mortgage Corporation"). The increase in loans at the Bank was a result of overall higher loan demand and the increase in interest bearing deposits in other banks and fed funds was a result of excess liquidity resulting from the decrease in securities. The decline in securities was a result of a large number of securities being called in the first half of 1999. The decrease in loans held for sale at the Mortgage Corporation was a result of a decrease in loan closings to $457 million in 1999 from $524 million in 1998 and an increase in loan fundings (sold) to $499 million in 1999 from $481 million in 1998. The increase in the net interest margin was mainly a result of a decrease in cost of funds to 3.90% for 1999 from 4.27% for 1998.

The decrease in cost of funds was a result of the decrease in cost of deposits and borrowings and an overall decrease in the average balance of higher cost borrowings. The decrease in the cost of deposits and borrowings was a result of the overall lower interest rate for the first half of 1999. The decrease in the average balance of borrowings is a result of the decrease in loans held for sale at the Mortgage Corporation. Borrowings from the Federal Home Loan Bank ("FHLB") are used to fund loans originated and subsequently sold by the Mortgage Corporation.

During 1998, net interest income, on a tax-equivalent basis, increased 10.9% to $14.3 million from $12.8 million in 1997. This was a result of a 16.6% increase in the average balance of interest-earning assets offset by a decrease in the net interest margin to 5.02% for the year ended December 31, 1998, from 5.28% for 1997. The increase in the average balance of interest- earning assets was attributed to an increase in the average balance of loans at the Bank and loans held for sale at the Mortgage Corporation. The decrease in the net interest margin was a result of a decrease in the yield on interest-earning assets resulting from the lower interest rate environment and a increase in the cost of funds mainly attributed to increased borrowings from the FHLB. As mentioned above, borrowings from the FHLB are used to fund loans originated and subsequently sold by the Mortgage Corporation. Loan closings at the Mortgage Corporation increased to $524 million for the year ended December 31, 1998, compared to $286 million for 1997.

TABLE 2: Rate-Volume Recap

Interest income and expense are affected by fluctuations in interest rates, by changes in the volume of earning assets and interest-bearing liabilities, and by the interaction of rate and volume factors. The following analysis shows the direct causes of the year-to-year changes in the components of net interest earnings on a taxable-equivalent basis. The rate and volume variances are calculated by a formula prescribed by the Securities and Exchange Commission. Rate/volume variances, the third element in the calculation, are not shown separately, but are allocated to the rate and volume variances in proportion to the relationship of the absolute dollar amounts of the change in each. Loans include both non-accrual loans and loans held for sale.

	1999 from 1998			1998 from 1997		
	Increase (Decrease) Due to		Total	Increase (Decrease) Due to		Total
(Dollars in thousands)	Volume	Rate	Increase (Decrease)	Volume	Rate	Increase (Decrease)
Interest income:						
Loans	$ 865	$ 195	$1,060	$ 3,561	$ (427)	$3,134
Securities:						
Taxable	(1,313)	51	(1,262)	(263)	(115)	(378)
Tax-exempt	530	(107)	423	258	(56)	202
Total securities	(783)	(56)	(839)	(5)	(171)	(176)
Interest-bearing deposits in other banks and fed funds	365	24	389	(10)	11	1
Total interest income	447	163	610	3,546	(587)	2,959
Interest expense:						
Time and savings deposits:						
Interest-bearing deposits	201	(18)	183	64	(53)	11
Money market deposit accounts	103	(14)	89	(47)	(2)	(49)
Savings accounts	124	(95)	29	66	11	77
Certificates of deposit, $100M or more	63	(25)	38	94	259	353
Other certificates of deposit	79	(279)	(200)	281	(158)	123
Total time and savings deposits	570	(431)	139	458	57	515
Other borrowings	(511)	(118)	(629)	1,017	24	1,041
Total interest expense	59	(549)	(490)	1,475	81	1,556
Change in net interest income	$ 388	$ 712	$1,100	$ 2,071	$ (668)	$1,403

MARKET RISK MANAGEMENT
As the holding company for a commercial bank, the Corporation's primary compo- nent of market risk is interest rate volatility. Fluctuation in interest rates will ultimately impact the level of both income and expense recorded on a large portion of the Bank's assets and liabilities, and the market value of all interest-earning assets and interest-bearing liabilities, other than those which possess a short term to maturity. Since the majority of the Corpora- tion's interest-earning assets and all of the Corporation's interest-bearing liabilities are held by the Bank, virtually all of the Corporation's interest rate risk exposure lies at the Bank level. Therefore, all significant interest rate risk management procedures are performed by management of the Bank. Based on the nature of the Bank's operations, the Bank is not subject to foreign currency exchange or commodity price risk. The Bank's loan portfolio is con- centrated primarily in the Virginia counties of King William, King and Queen, Hanover, Henrico, Essex, Middlesex, New Kent, Charles City, York, and James City, and is, therefore, subject to risks associated with the local economy. As of December 31, 1999, the Corporation does not own any trading assets nor does it have any hedging transactions in place such as interest rate swaps and caps.

The Bank's interest rate management strategy is designed to stabilize net in- terest income and preserve capital. The Bank manages interest rate risk through the use of a simulation model which measures the sensitivity of future net interest income and the net portfolio value to changes in interest rates. In addition, the Bank monitors interest rate sensitivity through analysis, measuring the terms to maturity or next repricing date of interest-earning as- sets and interest-bearing liabilities. The matching of the maturities of as- sets and liabilities may be analyzed by examining the extent to which assets and liabilities are "interest rate sensitive" and by monitoring an institu- tion's interest rate sensitivity "gap." An asset or liability is said to be "interest rate sensitive" within a specific time period if it will mature or reprice within that time period. The interest rate sensitivity "gap" is de- fined as the difference between the amount of interest-earning assets antici- pated, based on certain assumptions, to mature or reprice within a specific time period and the amount of interest-bearing liabilities anticipated, based on certain assumptions, to mature or reprice within that time period. A gap is considered negative when the amount of interest-rate-sensitive liabilities ma- turing or repricing within a specific time period exceeds the amount of inter- est-rate-sensitive assets maturing or repricing within that same time period. During a period of rising interest rates, a negative gap would tend to result in a decrease in net interest income while a positive gap would tend to result in an increase in net interest income. In a declining interest rate environ- ment, an institution with a negative gap would generally be expected, absent the effect of other factors, to experience a greater decrease in the cost of its liabilities relative to the yield of its assets and thus an increase in the institution's net interest income, whereas an institution with a positive gap would be expected to experience the opposite result.

Certain shortcomings are inherent in any rate method of analysis used to esti- mate a financial institution's interest rate gap. The analysis is based at a given point in time and does not take into consideration that changes in in- terest rates do not affect all assets and liabilities equally. For example, although certain assets and liabilities may have similar maturities or repricing, they may react differently to changes in market interest rates. The interest rates on certain types of assets and liabilities also may fluctuate in advance of changes in market interest rates, while interest rates on other types may lag behind changes in market rates. The interest rates on loans with call features may or may not change depending on their interest rates relative to market interest rates.

The Corporation is also subject to prepayment risk, particularly in falling interest rate environments or in environments where the slope of the yield curve is relatively flat or negative. Such changes in the interest rate envi- ronment can cause substantial changes in the level of prepayments of loans, which may also affect the Corporation's interest rate gap position.

As part of its borrowings, the Corporation may utilize, from time to time, daily and convertible advances from the FHLB-Atlanta. Convertible advances generally provide for a fixed rate of interest for a portion of the term of the advance, an ability for the FHLB-Atlanta to convert the advance from a fixed rate to an adjustable rate at some predetermined time during the remain- ing term of the advance (the "conversion" feature), and a concurrent opportu- nity for the Corporation to prepay the advance with no prepayment penalty in the event the FHLB-Atlanta elects to exercise the conversion feature. Changes in interest rates from those at December 31, 1999, may result in a change in the estimated maturity of convertible advances and, therefore, the Corpora- tion's interest rate gap position.

Also, the methodology used estimates various rates of withdrawal for money market deposits, savings, and checking accounts, which may vary significantly from actual experience.

The following table sets forth the amounts of interest-earning assets and in- terest-bearing liabilities outstanding at December 31, 1999, that are subject to repricing or that mature in each of the time periods shown. Additionally, loans and securities with call provisions are included in the period in which they may first be called. Except as stated above, the amount of assets and li- abilities shown that reprice or mature during a particular period were deter- mined in accordance with the contractual terms of the asset or liability.

TABLE 3: Interest Sensitivity Analysis

(Dollars in thousands)	Interest-Sensitive Periods Within 90 Days	91-365 Days	1-5 Years	Over 5 Years	Total
December 31, 1999					
Earning assets:					
Loans, net of unearned income	$ 96,218	$ 14,723	$ 56,837	$ 66,527	$234,305
Securities	5,201	6,719	21,643	34,925	68,488
Federal funds sold and other short-term investments	2,062	--	--	--	2,062
Total earning assets	103,481	21,442	78,480	101,452	304,855
Interest-bearing liabilities:					
Interest-bearing transaction accounts	8,574	25,721	22,863	--	57,158
Savings accounts	5,752	17,257	15,338	--	38,347
Money market deposit accounts	3,921	11,764	10,456	--	26,141
Certificates of deposit, $100M or more	3,522	11,345	2,800	--	17,667
Other certificates of deposit	19,138	44,766	22,810	--	86,714
Borrowings	30,035	--	--	--	30,035
Total interest-bearing liabilities	70,942	110,853	74,267	--	256,062
Period gap	32,539	(89,411)	4,213	101,452	
Cumulative gap	$ 32,539	$(56,872)	$(52,659)	$ 48,793	
Ratio of cumulative gap to total earning assets	10.67%	(18.66)%	(17.27)%	16.01%	

The following tables provide information about the Corporation's financial instruments that are sensitive to changes in interest rates as of December 31, 1999 and 1998, based on the information and assumptions set forth in the notes. The Corporation believes that the assumptions utilized are reasonable. The expected maturity date values for loans were calculated by adjusting the instruments' contractual maturity date for expectations of prepayments, as set forth in the notes. Similarly, expected maturity date values for interest- bearing core deposits were calculated based on estimates of the period over which the deposits would be outstanding, as set forth in the notes. From a risk-management perspective, however, the Corporation utilizes both maturity and repricing dates, as opposed to solely using expected maturity dates.

As shown in the table, there have been no significant changes in the maturities of interest-earning assets or liabilities. The large decrease in loans held for sale maturing within one year is a result of decreased production at the Mortgage Corporation. All loans originated at the Mortgage Corporation are usually sold within one month. The increase in borrowings is also a result of the increased loan growth at the Bank.

TABLE 4: Maturity of Interest-Bearing Assets/Liabilities

Dollars in thousands	Principal Amount Maturing in: 1 Year	2 Years	3 Years	4 Years	5 Years	Thereafter	Total	Fair Value
Earning Assets:								
Fixed rate loans(/1/)(/2/)								
December 31, 1999	$23,772	$11,390	$ 9,664	$ 7,762	$ 6,221	$28,460	$ 87,269	$ 85,193
December 31, 1998	18,157	9,532	7,834	6,308	4,860	16,591	63,282	64,537
Average interest rate								
December 31, 1999	8.79%	8.56%	8.32%	8.16%	8.07%	7.98%	8.34%	
December 31, 1998	9.00%	8.66%	8.33%	8.06%	7.96%	7.84%	8.53%	
Variable rate loans(/1/)(/2/)								
December 31, 1999	$41,271	$12,601	$ 8,136	$ 6,407	$ 7,155	$47,590	$123,160	$122,633
December 31, 1998	40,008	7,187	6,656	5,626	5,488	45,369	110,334	111,991
Average interest rate								
December 31, 1999	8.88%	8.67%	8.47%	8.30%	8.48%	8.24%	8.53%	
December 31, 1998	8.85%	8.47%	8.38%	8.38%	8.32%	8.30%	8.44%	
Loans held for sale								
December 31, 1999	$24,887	$ --	$ --	$ --	$ --	$ --	$ 24,887	$ 25,319
December 31, 1998	66,993	--	--	--	--	--	66,993	68,098
Average interest rate								
December 31, 1999	8.15%	--	--	--	--	--	8.15%	
December 31, 1998	6.24%	--	--	--	--	--	6.24%	
Securities(/3/)(/4/)								
December 31, 1999	$ 155	$ 1,385	$ 1,146	$ 1,853	$ 806	$63,143	$ 68,488	$ 66,769
December 31, 1998	3,969	495	2,040	1,384	2,351	51,758	61,997	64,459
Average interest rate								
December 31, 1999	6.65%	7.68%	5.86%	5.96%	6.21%	5.76%	5.81%	
December 31, 1998	6.92%	6.70%	7.32%	5.82%	5.99%	5.52%	5.69%	
Interest-Bearing Liabilities:								
Money market, savings, and interest- bearing transaction accounts(/5/)								
December 31, 1999	$72,985	$12,165	$12,165	$12,165	$12,165	$ --	$121,645	$121,514
December 31, 1998	60,979	10,163	10,163	10,163	10,163	--	101,631	101,604
Average interest rate								
December 31, 1999	2.77%	2.77%	2.77%	2.77%	2.77%	--	2.77%	
December 31, 1998	2.98%	2.98%	2.98%	2.98%	2.98%	--	2.98%	
Certificates of deposit								
December 31, 1999	$78,772	$16,466	$ 4,112	$ 3,048	$ 1,514	$ 469	$104,381	$104,344
December 31, 1998	80,490	21,629	2,369	1,272	3,029	345	109,134	109,714
Average interest rate								
December 31, 1999	4.77%	4.91%	5.20%	5.69%	5.15%	3.73%	4.83%	
December 31, 1998	5.02%	5.50%	5.30%	5.81%	5.67%	3.52%	5.15%	
Borrowings								
December 31, 1999	$30,035	$ --	$ --	$ --	$ --	$ --	$ 30,035	$ 30,035
December 31, 1998	14,661	--	10,000	--	--	--	24,661	24,658
Average interest rate								
December 31, 1999	5.40%	--	--	--	--	--	5.40%	
December 31, 1998	4.68%	--	4.98%	--	--	--	4.80%	

(1) Net of undisbursed loan proceeds and does not include net deferred loan fees or the allowance for loan losses.
(2) For single-family residential loans, assumes annual prepayment rate of 12%. No prepayment assumptions were used for all other loans.
(3) Includes the Corporation's investment in Federal Home Loan Bank stock.
(4) Average interest rates are the average of stated coupon rates and have not been adjusted for taxes.
(5) For money market, savings, and interest-bearing transaction accounts, assumes an annual decay rate of 60% for year 1 and 10% for each of the years 2 through 5.

NON-INTEREST INCOME

TABLE 5: Non-Interest Income

Dollars in thousands	Year Ended December 31, 1999	1998	1997
Gain on sale of loans	$ 6,692	$ 7,129	$4,056
Service charges on deposit accounts	1,154	1,033	1,013
Other service charges and fees	2,220	1,867	987
Gain on sale of available for sale securities	139	--	--
Other income	1,070	981	602
	$11,275	$11,010	$6,658

1999 VS. 1998
Non-interest income increased by $265,000, or 2.4%, in 1999. The increase is a result of increased fees at C&F Investment Services, Inc. (the "Investment Company") and the Bank and a $139,000 gain on securities which were called during the year. The increase in fees at the Investment Company and the Bank is due to overall growth. These increases are offset by a $437,000 decrease in the gain on sale of loans at the Mortgage Corporation. This decrease is a re- sult of the overall decrease in production in the Mortgage Corporation which is a result of the higher interest rate environment in the second half of 1999 as compared to 1998.

1998 VS. 1997
Non-interest income increased by $4.4 million, or 65.4%, over 1997. The major- ity of the increase was attributed to an approximate $3.1 million increase in the gain on the sale of loans resulting from an increase in loan production at the Mortgage Corporation. Loan closings at the Mortgage Corporation totaled $524 million in 1998 compared to $286 million in 1997 and $174 million in 1996. Other service charges and fees increased $880,000, or 89.1%, over 1997. The majority of this was attributed to fees associated with loan closings at the Mortgage Corporation. Other income increased approximately $379,000, or 63%, over 1997. The majority of this income was attributed to increased income at C&F Title Agency, Inc. (the "Title Agency"). The increase in income at the Title Agency was a direct result of the increased loan closings at the Mort- gage Corporation.

NON-INTEREST EXPENSE

TABLE 6: Non-Interest Expense

Dollars in thousands	Year Ended December 31, 1999	1998	1997
Salaries and employee benefits	$ 9,366	$ 8,286	$ 6,332
Occupancy expense	2,044	2,010	1,799
Goodwill amortization	275	275	275
Other expenses	4,415	4,411	3,132
	$16,100	$14,982	$11,538

1999 VS. 1998
Non-interest expense increased $1.1 million, or 7.5%, over 1998. The majority of this increase is a result of increased salaries and benefits at the Bank, the Mortgage Corporation, and the Investment Company. The increase in salaries and benefits at the Bank is due to overall growth including the formation of Citizens & Commerce Bank ("CCB"), which operates as a division of the Bank. CCB was formed in the second half of 1999, and has an area President and a re- gional Board of Directors. CCB was formed to serve the greater Richmond mar- ket. Currently, CCB has one branch open. The increase in salaries and benefits at the Mortgage Corporation was a result of increased non-commission positions due to the low interest rate environment in the second half of 1998 and the first half of 1999. The increase in salaries at the Investment Company is a result of overall growth.
1998 VS. 1997
Non-interest expense increased $3.4 million, or 29.9%, over 1997. $2.0 million of this increase resulted from increased salaries and employee benefits. The majority of this increase can be attributed to increased commissions at the Mortgage Corporation, which was a result of increased loan closings. The re- mainder of the increase in salaries and employee benefits was a result of gen- eral pay increases along with the addition of new employees at both the Bank and the Mortgage Corporation. Other expenses increased by $1.3 million, or 43%, over 1997. The majority of this increase can be associated with costs re- lated to the increase in loan closings at the Mortgage Corporation. The re- mainder of the increase can be attributed to general expenses at the Bank in- cluding $100,000 in costs associated with the Year 2000 ("Y2K") issue. 1999 Annual Report

YEAR 2000 ISSUE

The Y2K issue involved the risk that computer programs and computer systems would not be able to perform without interruption into the year 2000. If com- puter systems did not correctly recognize the date change from December 31, 1999 to January 1, 2000, computer applications that rely on the date field could have failed or created erroneous results. All computer programs and sys- tems at the Corporation operated without problems when the date changed from December 31, 1999 to January 1, 2000. While the Corporation will continue to monitor computer programs and systems, no problems are expected.

To date, the Corporation has expensed $150,000 related with the Year 2000 is- sue. Remaining expenditures are not expected to have a material effect on the Corporation's consolidated financial statements.

INCOME TAXES

Applicable income taxes on 1999 earnings amounted to $2,394,000, resulting in an effective tax rate of 26.1% compared to $2,353,000, or 27.7%, in 1998, and $1,614,000, or 24.6%, in 1997. The decrease in the effective tax rate for 1999 as compared to 1998 is a result of the increase in earnings subject to no taxes such as certain loans to municipalities or investment obligations of states and political subdivisions. The increase in the effective tax rate in 1998 as compared to 1997 was a result of the increase in earnings subject to a 34% tax rate, mainly resulting from increased income at the Mortgage Corpora- tion, versus earnings subject to no taxes.

TABLE 7: Allowance for Loan Losses

	Year Ended December 31,				
(Dollars in thousands)	1999	1998	1997	1996	1995
Reserve, beginning of period	$2,760	$2,234	$1,927	$1,914	$1,895
Provision for loan losses	600	600	330	30	--
Loans charged off:					
Real estate--mortgage	10	33	12	--	--
Real estate--construction	--	--	--	--	--
Commercial, financial, and agricultural	--	--	3	4	4
Consumer	76	66	12	25	4
Total loans charged off	86	99	27	29	8
Recoveries of loans previously charged off:					
Real estate--mortgage	--	25	--	1	19
Real estate--construction	--	--	--	--	--
Commercial, financial, and agricultural	13	--	--	11	--
Consumer	15	--	4	--	8
Total recoveries	28	25	4	12	27
Net loans charged off	58	74	23	17	(19)
Balance, end of period	$3,302	$2,760	$2,234	$1,927	$1,914
Ratio of net charge-offs to average total loans outstanding during period	.03%	.04%	.01%	.01%	(.01%)

TABLE 8: Allocation of Allowance for Possible Loan Losses

The allowance for loan losses is a general allowance applicable to all loan categories; however, management has allocated the allowance to provide an indication of the relative risk characteristics of the loan portfolio. The allocation is an estimate and should not be interpreted as an indication that charge-offs in 2000 will occur in these amounts, or that the allocation indicates future trends. The allocation of the allowance at December 31 for the years indicated and the ratio of related outstanding loan balances to total loans are as follows:

(Dollars in thousands)	1999	1998	1997	1996	1995
Allocation of allowance for possible loan losses, end of year:					
Real estate--mortgage	$ 753	$ 667	$ 692	$ 873	$ 786
Real estate--construction	160	108	89	69	34
Commercial, financial, and agricultural	1,686	1,211	926	733	352
Equity lines	103	86	71	62	60
Consumer	380	251	167	160	93
Unallocated	220	437	289	30	589
Balance, December 31	$3,302	$2,760	$2,234	$1,927	$1,914
Ratio of loans to total year-end loans:					
Real estate--mortgage	43%	50%	57%	62%	70%
Real estate--construction	4	3	3	2	2
Commercial, financial, and agricultural	42	36	31	26	19
Equity lines	5	5	4	5	5
Consumer	6	6	5	5	4
	100%	100%	100%	100%	100%

ASSET QUALITY-ALLOWANCE/ PROVISION FOR LOAN LOSSES

The allowance for loan losses is to provide for potential losses inherent in the loan portfolio. Among other factors, management considers the Corpora- tion's historical loss experience, the size and composition of the loan port- folio, the value and adequacy of collateral and guarantors, non-performing credits, and current and anticipated economic conditions. There are additional risks of future loan losses which cannot be precisely quantified or attributed to particular loans or classes of loans. Since those risks include general economic trends as well as conditions affecting individual borrowers, the al- lowance for loan losses is an estimate. The allowance is also subject to regu- latory examinations and determination as to adequacy, which may take into ac- count such factors as the methodology used to calculate the allowance and the size of the allowance in comparison to peer banks identified by regulatory agencies.

In 1999, the Corporation had $600,000 in provision for loan losses compared to $600,000 in 1998 and $330,000 in 1997. The increase in provision from 1997 to 1998 was a result of management's recognition of risks associated with the reduction in residential real estate loans and increasing the volume of commercial and commercial real estate loans. Loans charged off during 1999 amounted to $86,000 compared to $99,000 in 1998 and $27,000 in 1997. Recoveries amounted to $28,000, $25,000, and $4,000 in 1999, 1998, and 1997, respectively. The ratio of net charge-offs to average outstanding loans was .03% in 1999, .04% in 1998, and .01% in 1997. Management feels that the reserve is adequate to absorb any losses on existing loans that may become uncollectible. Table 7 presents the Corporation's loan loss and recovery experience for the past five years.

NON-PERFORMING ASSETS

Total non-performing assets, which consist of the Corporation's non-accrual loans and real estate owned, were $49,000 at December 31, 1999, a decrease of $414,000 from December 31, 1998. The decrease in 1999 was primarily the col- lection of one large non-accrual loan which was on the Corporation's books at December 31, 1998.

Loans are generally placed on non-accrual status when the collection of prin- cipal or interest is ninety days or more past due, or earlier, if collection is uncertain based on an evaluation of the net realizable value of the collat- eral and the financial strength of the borrower. Loans greater than ninety days past due may remain on accrual status if management determines it has ad- equate collateral to cover the principal and interest. For those loans which are carried on non-accrual status, interest is recognized on the cash basis. For 1999, $8,000 in gross interest income would have been recorded if non-ac- crual loans had been current throughout the period outstanding. For the period ended December 31, 1999, interest income received on non-accrual loans was $551,000.

Table 9 summarizes non-performing assets for the past five years.

TABLE 9: Non-Performing Asset Activity

(Dollars in thousands)	1999	1998	1997	1996	1995
Non-accrual loans	$ 49	$ 463	$ 497	$ 525	$ 907
Real estate owned	--	--	444	--	--
Total non-performing assets	49	463	941	525	907
Principal and/or interest past due for 90 days or more	$ 786	$ 958	$ 768	$ 260	$ 180
Non-performing loans to total loans	.02%	.27%	.31%	.38%	.81%
Allowance for loan losses to total loans	1.58	1.60	1.42	1.39	1.71
Allowance for loan losses to non-performing loans	6,738.78	596.11	449.30	367.05	211.03
Non-performing assets to total assets	.01%	.14%	.34%	.20%	.38%

FINANCIAL CONDITION

SUMMARY

A financial institution's primary sources of revenue are generated by its earning assets, while its major expenses are produced by the funding of those assets with interest-bearing liabilities. Effective management of these sources and uses of funds is essential in attaining a financial institution's maximum profitability while maintaining a minimum amount of risk.

At the end of 1999, the Corporation had total assets of $329 million, up 2.5% over the previous year-end. In 1998, there was an increase of 15.4% in total assets over year-end 1997. Asset growth in 1999 is attributable to an increase in loans at the Bank offset by a decrease in loans held for sale at the Mortgage Corporation.

TABLE 10: Summary of Total Loans

	Year Ended December 31,				
(Dollars in thousands)	1999	1998	1997	1996	1995
Real estate--mortgage	$ 89,952	$ 86,311	$ 88,973	$ 86,324	$ 77,924
Real estate--construction	7,968	5,359	4,454	3,415	1,681
Commercial, financial, and agricultural/1/	89,135	62,885	48,737	36,385	21,719
Equity lines	10,272	8,580	7,131	6,180	5,954
Consumer	12,091	9,543	7,683	6,355	4,648
Total loans	209,418	172,678	156,978	138,659	111,926
Less allowance for possible loan losses	(3,302)	(2,760)	(2,233)	(1,927)	(1,914)
Total loans, net	$206,116	$169,918	$154,745	$136,732	$110,012

/1/ Includes loans secured by real estate

TABLE 11: Maturity/Repricing Schedule of Loans

	December 31, 1999	
(Dollars in thousands)	Commercial, financial, and agricultural	Real estate construction
Variable Rate:		
Within 1 year	$35,171	$ --
1 to 5 years	16,857	--
After 5 years	16,312	--
Fixed Rate:		
Within 1 year	2,270	7,968

1 to 5 years	6,392	--
After 5 years	12,133	--

LOAN PORTFOLIO

At December 31, 1999, loans, net of unearned income and reserve for loan losses, totaled $206.1 million, an increase of 21.3% over the 1998 total of $169.9 million. Net loans increased 9.8% and 13.2% in 1998 and 1997, respectively.

The Corporation's lending activities are its principal source of income. All loans are attributable to domestic operations. Residential real estate loans, both construction and permanent, represent the major portion of the Corporation's loan portfolio, although commercial loans continue to increase as a percentage of total loans. Tables 10 and 11 present information pertaining to the composition of loans including unearned income and the maturity/repricing of loans.

TABLE 12: Maturity of Securities

	Year Ended December 31,					
	1999		1998		1997	
(Dollars in thousands)	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield
U.S. government agencies and corporations:						
Maturing within 1 year	$ --	--%	$ 999	8.46%	$ 5,500	8.06%
Maturing after 1 year, but within 5 years	--	--	500	6.21	1,998	7.43
Maturing after 5 years, but within 10 years	4,500	7.03	3,500	6.76	12,498	6.75
Maturing after 10 years	9,000	7.08	8,498	6.96	11,998	7.30
Total U.S. government agencies and corporations	13,500	7.07	13,497	6.99	31,994	7.22
U.S. Treasuries:						
Maturing within 1 year	--	--	1,999	5.94	--	--
Maturing after 1 year, but within 5 years	1,000	8.01	1,000	8.02	2,998	6.63
Total U.S. Treasuries	1,000	8.01	2,999	6.63	2,998	6.63
States and municipals:/1/						
Maturing within 1 year	155	9.77	971	10.18	850	10.11
Maturing after 1 year, but within 5 years	4,190	8.87	4,770	9.46	4,188	9.85
Maturing after 5 years, but within 10 years	14,352	7.97	13,163	8.42	10,666	8.74
Maturing after 10 years	28,496	7.52	20,121	7.90	20,425	8.11
Total states and municipals	47,193	7.66	39,025	8.33	36,129	8.55
Other securities:						
Maturing within 1 year	--	--	--	--	300	8.62
Maturing after 1 year, but within 5 years	--	--	--	--	--	--
Total other securities	--	--	--	--	300	8.62
Total securities:/2/						
Maturing within 1 year	155	9.77	3,969	7.76	6,650	8.37
Maturing after 1 year, but within 5 years	5,190	8.71	6,270	8.95	9,184	8.29
Maturing after 5 years, but within 10 years	18,852	7.95	16,663	8.06	23,164	7.63
Maturing after 10 years	37,496	1.36	28,619	7.62	32,423	7.81
Total securities	$61,693	7.54%	$55,521	7.91%	$71,421	7.87%

/1/Yields on tax-exempt securities have been computed on a tax-equivalent basis.
/2/Total securities excludes preferred stock at $5,209,736, $4,770,000, and $4,004,000, amortized cost at December 31, 1999, 1998, and 1997, respectively, or $4,738,879 $5,104,000, and $4,296,000, estimated fair value at December 31, 1999, 1998, and 1997, respectively.

SECURITIES

The investment portfolio plays a primary role in the management of interest rate sensitivity of the Corporation and generates substantial interest income. In addition, the portfolio serves as a source of liquidity and is used as needed to meet collateral requirements.

The investment portfolio consists of two components, securities held to maturity and securities available for sale. Securities are classified as securities based on management's intent and the Corporation's ability, at the time of purchase, to hold such securities to maturity. These securities are carried at amortized cost. Securities which may be sold in response to changes in

market interest rates, changes in the securities' prepayment risk, increases in loan demand, general liquidity needs, and other similar factors are classified as available for sale and are carried at estimated fair value.

At year-end 1999, total securities at amortized cost were $66.9 million, up 10.9% from $60.3 million at year-end 1998. Securities of U.S. government agencies and corporations represented 20.2% of the total securities portfolio, obligations of states and political subdivisions were 70.5%, U.S. Treasury securities were 1.5%, and preferred stocks were 7.8% at December 31, 1999.

Table 12 presents information pertaining to the composition of the securities portfolio.

TABLE 13: Average Deposits and Rates Paid

	Year Ended December 31,					
	1999		1998		1997	
(Dollars in thousands)	Average Balance	Average Rate	Average Balance	Average Rate	Average Balance	Average Rate
Non-interest-bearing demand deposits	$ 35,697		$ 35,987		$ 31,449	
Interest-bearing transaction accounts	45,627	2.38%	37,178	2.42%	34,594	2.57%
Money market deposit accounts	25,207	3.20	21,984	3.27	23,416	3.28
Savings accounts	39,131	2.97	35,094	3.23	33,037	3.20
Certificates of deposit, $100M or more	17,977	4.77	16,670	4.91	14,137	3.30
Other certificates of deposit	89,467	4.94	87,938	5.25	82,655	5.44
Total interest-bearing deposits	217,409	3.83%	198,864	4.12%	187,839	4.09%
Total deposits	$253,106		$234,851		$219,288	

TABLE 14: Maturities of Certificates of Deposit with Balances of $100,000 or More

(Dollars in thousands)	December 31, 1999
3 months or less	$ 3,522
3-6 months	2,487
6-12 months	8,858
Over 12 months	2,800
Total	$17,667

DEPOSITS

The Corporation's predominate source of funds is depository accounts. The Corporation's deposit base is comprised of demand deposits, savings and money market accounts, and time deposits. The Corporation's deposits are provided by individuals and businesses located within the communities served.

Total deposits increased $9.2 million, or 3.6%, in 1999 over 1998. In 1999, the growth by deposit category was a 14.9% decrease in non-interest-bearing deposits, a 19.7% increase in savings and interest-bearing demand deposits, and a 4.4% decrease in time deposits. In 1998, total deposits increased $20.1 million, or 8.7%, over 1997. Deposit growth in 1999 and 1998 was attributed to growth at existing

LIQUIDITY

Liquidity represents an institution's ability to meet present and future financial obligations through either the sale or maturity of existing assets or the acquisition of additional funds through liability management. Liquid assets include cash and due from banks, interest-bearing deposits with banks, federal funds sold, securities available for sale, and investments and loans maturing within one year. As a result of the Corporation's management of liquid assets and the ability to generate liquidity through liability funding, management believes that the Corporation maintains overall liquidity sufficient to satisfy its depositors' requirements and to meet customers' credit needs.

At December 31, 1999, cash, securibranch locations. Table 13 presents the average deposit balances and average rates paid for the years 1999, 1998, and 1997. Table 14 details maturities of certificates of deposit with balances of $100,000 and over at December 31, 1999.

ties classified as available for sale, and federal funds sold were 14.6% of total earning assets, compared to 10.1% at December 31, 1998.

Additional sources of liquidity available to the Corporation include the Bank's capacity to borrow funds through an established line of credit with a regional correspondent bank and the Federal Home Loan Bank.

CAPITAL RESOURCES

The assessment of capital adequacy depends on a number of factors such as as- set quality, liquidity, earnings performance, and changing competitive condi- tions and economic forces. The adequacy of the Corporation's capital is re- viewed by management on an ongoing basis. Management seeks to maintain a capi- tal structure that will assure an adequate level of capital to support antici- pated asset growth and to absorb potential losses.

During March of 1999, the Corporation repurchased 235,000 shares of its common stock from six shareholders at prices between $19.88 and $20.00 per share in privately negotiated transactions. During the second half of 1999, the Corpo- ration repurchased a further 12,500 shares of its common stock in the open market at prices between $17.00 and $18.00 per share. On April 4, 1997, the Corporation repurchased 204,683 shares of its common stock. These repurchases were made to reduce capital as it was high relative to the Corporation's asset size.

The Corporation's capital position continues to exceed regulatory require- ments. The primary indicators relied on by bank regulators in measuring the capital position are the Tier I capital, total risk-based capital, and lever- age ratios. Tier I capital consists of common and qualifying preferred share- holders' equity less goodwill. Total capital consists of Tier I capital, qual- ifying subordinated debt, and a portion of the allowance for loan losses. Risk-based capital ratios are calculated with reference to risk-weighted as- sets. The Corporation's Tier I capital ratio was 14.0% at December 31, 1999, compared to 12.5% at December 31, 1998. The total capital ratio was 15.2% at December 31, 1999, compared to 13.4% at December 31, 1998. These ratios are in excess of the mandated minimum requirement of 4.0% and 8.0%, respectively.

Shareholders' equity was $35.1 million at year-end 1999 compared to $36.6 million at year-end 1998. The leverage ratio consists of Tier I capital divided by average assets. At December 31, 1999, the Corporation's leverage ratio was 11.3%, compared to 11.5% at December 31, 1998. Each of these exceeds the required minimum leverage ratio of 4.0%. The dividend payout ratio was 26.6%, 27.7%, and 27.8%, in 1999, 1998, and 1997, respectively. During 1999, the Corporation paid dividends of $0.49 per share, up 11.4% from $0.44 per share paid in 1998.

The Corporation is not aware of any current recommendations by any regulatory authorities which, if they were implemented, would have a material effect on the Corporation's liquidity, capital resources, or results of operations.

NEW ACCOUNTING PRONOUNCEMENTS

In June 1998, FASB issued FAS 133, "Accounting for Derivative Instruments and Hedging Activities." FAS 133 establishes accounting and reporting standards for derivative financial instruments and other similar financial instruments and for hedging activities. The standard also allows securities classified as held-to-maturity to be transferred to the available-for-sale category at the date of initial application of this standard. FAS 133 is effective for all fiscal years beginning after June 15, 2000. Management is currently reviewing this statement to determine the impact, if any, it will have since the Corpo- ration currently has no derivative instruments.

EFFECTS OF INFLATION

The effect of changing prices on financial institutions is typically different from other industries as the Corporation's assets and liabilities are monetary in nature. Interest rates are significantly impacted by inflation, but neither the timing nor the magnitude of the changes are directly related to price- level indices. The consolidated financial statements reflect the impacts of inflation on interest rates, loan demands, and deposits.

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF
1995

The statements contained in this annual report that are not historical facts may be forward looking statements. The forward looking statements are subject to certain risks and uncertainties which could cause actual results to differ materially from historical results or those anticipated. Readers are cautioned not to place undue reliance on these forward looking statements, which speak only as of their dates.

CONSOLIDATED BALANCE SHEETS

	December 31, 1999	December 31, 1998
Assets		
Cash and due from banks	$ 13,423,967	$ 8,139,884
Interest-bearing deposits in other banks	2,062,397	333,356
Total cash and cash equivalents	15,486,364	8,473,240
Securities--available for sale at fair value, amortized cost of $32,112,083 and $21,480,714, respectively	30,208,134	21,888,295
Securities--held to maturity at amortized cost, fair value of $34,976,323 and $40,864,681, respectively	34,790,682	38,810,290
Loans held for sale, net	24,886,514	66,993,322
Loans, net of reserve for loan losses of $3,301,778 and $2,760,263, respectively	206,115,896	169,918,428
Federal Home Loan Bank stock	1,585,000	1,706,200
Corporate premises and equipment, net	8,404,090	6,465,375
Accrued interest receivable	2,136,093	2,373,783
Other assets	5,628,548	4,234,696
Total assets	$329,241,321	$320,863,629
Liabilities		
Deposits		
Non-interest-bearing demand deposits	$ 34,827,212	$ 40,907,814
Savings and interest-bearing demand deposits	121,645,420	101,631,148
Time deposits	104,381,003	109,134,197
Total deposits	260,853,635	251,673,159
Borrowings	30,035,293	24,661,078
Accrued interest payable	566,466	598,146
Other liabilities	2,656,217	7,283,753
Total liabilities	294,111,611	284,216,136
Commitments and contingent liabilities		
Shareholders' Equity		
Preferred stock ($1.00 par value, 3,000,000 shares authorized)	--	--
Common stock ($1.00 par value, 8,000,000 shares authorized, 3,644,456 and 3,866,888 shares issued and outstanding at December 31, 1999 and 1998, respectively)	3,644,456	3,866,888
Additional paid-in capital	14,396	475,928
Retained earnings	32,727,448	31,739,483
Accumulated other comprehensive income (loss), net of tax of $647,334 and $291,161, respectively	(1,256,590)	565,194
Total shareholders' equity	35,129,710	36,647,493
Total liabilities and shareholders' equity	$329,241,321	$320,863,629

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31,		
	1999	1998	1997
Interest income			
Interest and fees on loans	$19,405,445	$17,789,920	$14,656,120
Interest on money market investments			
Federal funds sold	90,964	--	--
Other money market investments	366,971	68,584	68,399
Interest on securities			
U.S. Treasury securities	109,112	198,883	198,883
U.S. government agencies and corporations	864,461	2,035,832	2,422,390
Tax-exempt obligations of states and political subdivisions	2,347,868	2,097,657	2,041,372
Corporate bonds and other	458,736	426,633	375,884
Total interest income	23,643,557	22,617,509	19,763,048
Interest expense			
Savings and interest-bearing deposits	3,055,792	2,754,417	2,715,785
Certificates of deposit, $100M or more	856,670	818,548	465,701
Other time deposits	4,415,594	4,616,052	4,492,910
Short-term borrowings and other	739,811	1,369,042	327,905
Total interest expense	9,067,867	9,558,059	8,002,301
Net interest income	14,575,690	13,059,450	11,760,747
Provision for loan losses	600,000	600,000	330,000
Net interest income after provision for loan losses	13,975,690	12,459,450	11,430,747
Other operating income			
Gain on sale of loans	6,691,998	7,128,998	4,056,340
Service charges on deposit accounts	1,154,373	1,032,918	1,012,410
Other service charges and fees	2,219,854	1,866,763	987,232
Gain on sale of available for sale securities	138,830	--	--
Other income	1,069,541	980,943	601,626
Total other operating income	11,274,596	11,009,622	6,657,608
Other operating expenses			
Salaries and employee benefits	9,365,548	8,286,380	6,332,026
Occupancy expenses	2,044,013	2,009,917	1,798,561
Goodwill amortization	275,160	275,160	275,160
Other expenses	4,414,969	4,410,228	3,131,818
Total other operating expenses	16,099,690	14,981,685	11,537,565
Income before income taxes	9,150,596	8,487,387	6,550,790
Income tax expense	2,394,366	2,353,351	1,613,963
Net Income	$ 6,756,230	$ 6,134,036	$ 4,936,827
Earnings per common share--basic	$ 1.83	$ 1.59	$ 1.26
Earnings per common share--assuming dilution	$ 1.81	$ 1.56	$ 1.25

See notes to consolidated financial statements. 1999 Annual Report

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Common Stock	Additional Paid-In Capital	Comprehensive Income	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance December 31, 1996	$2,113,041	--		$29,795,739	$ 305,729	$32,214,509
Repurchase of common stock	(204,683)	--		(4,126,518)	--	(4,331,201)
Stock options exercised	7,832	$ 117,692		--	--	125,524
Comprehensive income						
Net income			$4,963,827	4,936,827		4,936,827
Other comprehensive income, net of tax						
Unrealized holding gains arising during the period net of tax of $115,735/1/			224,662		224,662	224,662
Comprehensive income			$5,188,489			
Cash dividends ($.35 per share)	--	--		(1,369,788)	--	(1,369,788)
Balance December 31, 1997	1,916,190	117,692		29,236,260	530,391	31,800,533
Stock options exercised	19,004	358,236		--	--	377,240
Comprehensive income						
Net income			$6,134,036	6,134,036		6,134,036
Other comprehensive income, net of tax						
Unrealized holding gains arising during the period net of tax of $17,929/1/			34,803		34,803	34,803
Comprehensive income			$6,168,839			
Stock dividends	1,931,694	--		(1,931,694)	--	--
Cash dividends ($.44 per share)	--	--		(1,699,119)	--	(1,699,119)
Balance December 31, 1998	3,866,888	475,928		31,739,483	565,194	36,647,493
Repurchase of common stock	(247,500)	(690,351)		(3,971,173)	--	(4,909,024)
Stock options exercised	25,068	228,819		--	--	253,887
Comprehensive income						
Net income			$6,756,230	6,756,230		6,756,230
Other comprehensive income, net of tax						
Unrealized holding losses arising during the period net of tax of $938,495			(1,821,784)		(1,821,784)	(1,821,784)
Comprehensive income			$4,934,446			
Cash dividends ($.49 per share)	--	--		(1,797,092)	--	(1,797,092)
Balance December 31, 1999	$3,644,456	$ 14,396		$32,727,448	$(1,256,590)	$35,129,710

Disclosure of reclassification amount for the year ended December 31, 1999:

Unrealized net holding losses arising during period	$(1,730,156)
Less: reclassification adjustment for gains included in net income	(91,628)

Net unrealized losses on securities	$(1,821,784)

/1/There were no reclassification adjustments for the twelve months ended December 31, 1998, and 1997.
See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	1999	1998	1997
Operating Activities:			
Net income	$ 6,756,230	$ 6,134,036	$ 4,936,827
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation	928,314	949,451	878,433
Amortization of goodwill	275,160	275,160	275,160
Deferred income taxes	(123,139)	(332,645)	(320,929)
Provision for loan losses	600,000	600,000	330,000
Accretion of discounts and amortization of premiums on securities, net	(69,467)	(51,444)	(104,715)
Net realized loss (gain) on securities	(138,830)	--	--
Origination of loans held for sale	(456,926,073)	(524,395,568)	(286,419,034)
Sale of loans	499,032,881	481,881,349	274,223,953
Change in other assets and liabilities:			
Accrued interest receivable	237,690	(177,824)	74,197
Other assets	(881,041)	271,213	(373,662)
Accrued interest payable	(31,680)	5,846	50,855
Other liabilities	(4,353,878)	2,405,165	2,426,770
Net cash provided by (used in) operating activities	45,306,167	(32,435,261)	(4,022,145)
Investing Activities:			
Proceeds from maturities of securities held to maturity	3,628,850	9,674,100	25,632,350
Proceeds from sales and maturities of securities available for sale	10,806,084	22,449,745	8,583,893
Purchase of securities held to maturity	--	(2,572,800)	(4,867,024)
Purchase of securities available for sale	(21,287,142)	(14,425,408)	(19,055,224)
Redemption (purchase) of FHLB stock	121,200	(644,400)	(205,000)
Net increase in customer loans	(36,797,468)	(15,773,808)	(18,342,603)
Purchase of corporate premises and equipment	(2,867,029)	(879,180)	(1,618,414)
Proceeds from the sale of corporate premises and equipment	--	45,922	170,107
Net cash used in investing activities	(46,395,505)	(2,125,829)	(9,701,915)
Financing Activities:			
Net increase in demand, interest-bearing demand and savings deposits	13,933,670	12,138,327	7,743,351
Net increase (decrease) in time deposits	(4,753,194)	8,021,680	7,347,245
Net increase in other borrowings	5,374,215	15,325,391	4,280,412
Repurchase of common stock	(4,909,024)	--	(4,331,201)
Proceeds from exercise of stock options	253,887	377,240	125,524
Cash dividends	(1,797,092)	(1,699,119)	(1,369,788)
Net cash provided by financing activities	8,102,462	34,163,519	13,795,543
Net increase (decrease) in cash and cash equivalents	7,013,124	(397,571)	71,483
Cash and cash equivalents at beginning of year	8,473,240	8,870,811	8,799,328
Cash and cash equivalents at end of year	$ 15,486,364	$ 8,473,240	$ 8,870,811

Supplemental disclosure			
Interest paid	$ 9,099,547	$ 9,552,213	$ 7,951,446
Income taxes paid	$ 2,743,114	$ 2,674,475	$ 1,699,427

See notes to consolidated financial statements. 1999 Annual Report

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: Summary of Significant Accounting Policies

The accounting and reporting policies of C&F Financial Corporation and subsid- iary (the "Corporation") conform to generally accepted accounting principles and to predominant practices within the banking industry.

Nature of Operations: C&F Financial Corporation is a bank holding company in- corporated under the laws of the Commonwealth of Virginia. The Corporation owns all of the stock of its sole subsidiary, Citizens and Farmers Bank (the "Bank"), which is an independent commercial bank chartered under the laws of the Commonwealth of Virginia. The Bank offers a wide range of banking services available to both individuals and small businesses.

The Bank has three wholly owned subsidiaries, C&F Title Agency, Inc., C&F In- vestment Services, Inc., and C&F Mortgage Corporation, all incorporated under the laws of the Commonwealth of Virginia. C&F Title Agency, Inc., organized in 1992, sells title insurance to the mortgage loan customers of the Bank and C&F Mortgage Corporation. C&F Investment Services, Inc., organized in April 1995, is a full-service brokerage firm offering a comprehensive range of investment services. C&F Mortgage Corporation, organized in September 1995, was formed to originate and sell residential mortgages.

Principles of Consolidation: The accompanying consolidated financial state- ments include the accounts of C&F Financial Corporation and its wholly owned subsidiary, Citizens and Farmers Bank. All material intercompany accounts and transactions have been eliminated in consolidation.

Estimates: The preparation of financial statements in conformity with gener- ally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the re- porting period. Actual results could differ from those estimates.

Securities: Investments in debt and equity securities with readily determin- able fair values are classified as either held to maturity, available for sale, or trading, based on management's intent. Available for sale securities are carried at estimated fair value with the corresponding unrealized gains and losses included in shareholders' equity on an after-tax basis. Securities classified as held to maturity are carried at amortized cost. The Corporation does not have any securities classified as trading securities. Gains or losses are recognized only on realization at the time of sale using the amortized cost of the specific security sold.

Federal Home Loan Bank Stock: Federal Home Loan Bank stock is stated at cost. No ready market exists for this stock, and it has no quoted market value. For presentation purposes, such stock is assumed to have market value which is equal to cost. In addition, such stock is not considered a debt or equity se- curity in accordance with SFAS 115.

Loans: Loans are stated at face value, net of unearned discount and the allow- ance for loan losses. Unearned discount on certain installment loans is recog- nized as income over the terms of the loans by a method which approximates the effective interest method. Interest on other loans is credited to operations based on the principal amount outstanding. Loans are generally placed on non- accrual status when the collection of principal or interest is ninety days or more past due, or earlier, if collection is uncertain based on an evaluation of the net realizable value of the collateral and the financial strength of the borrower. Loans greater than ninety days past due may remain on accrual status if management determines it has adequate collateral to cover the prin- cipal and interest. For those loans which are carried on non-accrual status, interest is recognized on the cash basis. Loan fees and origination costs are deferred and the net amount is amortized as an adjustment of the related loan's yield using the level-yield method. The Corporation is amortizing these amounts over the contractual life of the related loans.

Impaired loans are measured based on the present value of expected future cash flows discounted at the effective interest rate of the loan, or, as a practi- cal expedient, at the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. The Corporation considers a loan impaired when it is probable that the Corporation will be unable to col- lect all interest and principal payments as scheduled in the loan agreement. A loan is not considered impaired during a period of delay in payment if the ul- timate collectibility of all amounts due is expected. A valuation allowance is maintained to the extent that the measure of the impaired loan is less than the recorded investment.

Consistent with the Corporation's method for non-accrual loans, interest re- ceipts for impaired loans are recognized on the cash basis.

Loans Held for Sale: Loans held for sale are carried at the lower of cost or market, determined in the aggregate. Market value considers commitment agreements with investors and prevailing market prices. Substantially all loans originated by the mortgage banking operations are held for sale to outside investors.

Reserve for Loan Losses: The reserve for loan losses is established through a provision for loan losses charged to expense. The reserve represents an amount which, in management's judgment, will be adequate to absorb any losses on ex- isting loans which may become uncollectible. Management's judgment in deter- mining the adequacy of the reserve is based on evaluations of the collectibility of loans while taking into consideration such factors as changes in the nature and volume of the loan portfolio, current economic con- ditions which may affect a borrower's ability to repay, overall portfolio quality, and review of specific potential losses. Loans are charged against the reserve for loan losses when management believes that the collectibility of the principal is unlikely. Actual future losses may differ from estimates as a result of unforeseen events.

Other Real Estate Owned: Foreclosed assets held for sale are carried at the lower of (a) fair value minus estimated costs to sell or (b) cost at the time of foreclosure. Such determination is made on an individual asset basis. If the fair value of the asset minus the estimated costs to sell the asset is less than the cost of the asset, the deficiency is recognized as a valuation allowance. If the fair value of the asset minus the estimated costs to sell the asset subsequently increases and the fair value of the asset minus the es- timated costs to sell the asset is more than its carrying amount, the valua- tion allowance is reduced, but not below zero. Increases or decreases in the valuation allowance are charged or credited to income.

Recovery of the carrying value of such real estate is dependent to a great ex- tent on economic, operating, and other conditions that may be beyond the Cor- poration's control.

Corporate Premises and Equipment: Corporate premises and equipment are stated at cost less accumulated depreciation computed using straight-line and accel- erated methods over the estimated useful lives of the assets. Estimated useful lives range from ten to forty years for buildings and from three to ten years for equipment, furniture, and fixtures. Maintenance and repairs are charged to expense as incurred and major improvements are capitalized. Upon sale or re- tirement of depreciable properties, the cost and related accumulated deprecia- tion are netted against proceeds and any resulting gain or loss is reflected in income.

Income Taxes: The Corporation uses an asset and liability approach to finan- cial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for differences between the financial state- ment and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applica- ble to the periods in which the differences are expected to affect taxable in- come. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

Defined Benefit Plan: In 1998, the Corporation adopted Financial Accounting Standards (FAS) 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits." This pronouncement does not change the measurement or recognition of amounts recognized in the Corporation's financial statements applicable to its defined benefit plan. FAS 132 revises the existing disclo- sure requirements by standardizing the disclosure requirements for pensions, requiring certain additional information on changes in the benefit obligations and fair values of plan assets, and eliminating certain disclosures.

Segment Information: In 1998, the Corporation adopted Financial Accounting Standard (FAS) 131, "Disclosures about Segments of an Enterprise and Related Information." FAS 131 supercedes FAS 14, "Financial Reporting for Segment of a Business Enterprise," replacing the "industry segment" approach with the "man- agement" approach. The management approach designates the internal organiza- tion that is used by management for making operating decisions and assessing performance as the source of the Corporation's reportable segments. The adop- tion of FAS 131 did not affect the results of operations or financial position but did affect the disclosure of segment information.

Comprehensive Income: In 1998, the Corporation adopted Financial Accounting Standard (FAS) 130, "Reporting Comprehensive Income." The consolidated statements of shareholders' equity have been changed to include columns for comprehensive income and accumulated other comprehensive income. Comprehensive income for the Corporation includes net income plus the change in the unrealized gain or loss on securities available for sale. Accumulated other comprehensive income includes the cumulative changes in unrealized gain or loss on securities available for sale. Adoption of this standard did not impact the Corporation's consolidated financial position, results of operations, or cash flows.

Earnings Per Share: In 1997, the Corporation adopted Financial Accounting Standard (FAS) 128, "Earnings per Share." FAS 128 replaced the calculation of primary and fully diluted earnings per share with basic and diluted earnings per share. Unlike primary earnings per share, basic earnings per share ex- cludes any dilutive effects of options, warrants, and convertible securities. Diluted earnings per share is very similar to the previously reported fully diluted earnings per share. All earnings per share amounts for all periods have been presented and, where appropriate, restated to conform to the FAS 128 requirements.

Shareholders' Equity: During March of 1999 the Corporation repurchased 235,000 shares of its common stock from six shareholders at prices between $19.88 and $20.00 per share in privately negotiated transactions. During the second half of 1999, the Corporation repurchased a further 12,500 shares of its common stock in the open market at prices between $17.00 and $18.00 per share. On April 4, 1997, the Corporation repurchased 204,683 shares of its common stock at a price of $21.00 per share.

On June 16, 1998, the Corporation declared a 100% stock dividend in the form of a two-for-one stock split. All the financial data included in this Annual Report has been retroactively restated to reflect the effect of the stock split.

Statement of Cash Flows: For the purpose of the statement of cash flows, the Corporation considers cash equivalents to include amounts due from banks, fed- eral funds sold, and money market investments purchased with a maturity of three months or less. Generally, federal funds are purchased and sold for one- day periods.

NOTE 2: Securities

Debt and equity securities are summarized as follows:

	December 31, 1999			
Available for Sale	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. government agencies and corporations	$13,500,000	$ --	$ (862,314)	$12,637,686
Obligations of states and political subdivisions	13,402,347	20,925	(591,703)	12,831,569
Preferred stock	5,209,736	7,313	(478,170)	4,738,879
	$32,112,083	$ 28,238	$(1,932,187)	$30,208,134
Held to Maturity				
U.S. Treasury securities	$ 999,814	$ 24,246	$ --	$ 1,024,060
Obligations of states and political subdivisions	33,790,868	505,563	(344,168)	33,952,263
	$34,790,682	$ 529,809	$ (344,168)	$34,976,323

	December 31, 1998			
Available for Sale	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury securities	$ 1,999,696	$ 7,179	$ --	$ 2,006,875
U.S. government agencies and corporations	12,497,651	64,342	(5,744)	12,556,249
Obligations of states and political subdivisions	2,213,698	11,338	(3,575)	2,221,461
Preferred stock	4,769,669	366,326	(32,285)	5,103,710
	$21,480,714	$ 449,185	$ (41,604)	$21,888,295
Held to Maturity				
U.S. Treasury securities	$ 999,678	$ 75,009	$ --	$ 1,074,687
U.S. government agencies and corporations	999,296	29,141	--	1,028,437
Obligations of states and political subdivisions	36,811,316	1,950,241	--	38,761,557
	$38,810,290	$2,054,391	$ --	$40,864,681

The amortized cost and estimated fair value of debt securities at December 31, 1999, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to prepay obligations with or without call or prepayment penalties.

	December 31, 1999	
Available for Sale	Amortized Cost	Estimated Fair Value
Due after five years through ten years	$ 4,500,000	$ 4,269,741
Due after ten years	22,402,347	21,199,514
Preferred Stock	5,209,736	4,738,879
	$32,112,083	$30,208,134
Held to Maturity		
Due in one year or less	$ 155,000	$ 156,570
Due after one year through five years	5,189,477	5,326,834
Due after five years through ten years	14,352,186	14,641,927
Due after ten years	15,094,019	14,850,992
	$34,790,682	$34,976,323

Proceeds from the maturities and the redemption of call provisions of securities held to maturity in 1999 were $3,628,850. There were no realized gains or losses. Proceeds from the maturities and the redemption of call provisions of securities available for sale were $10,806,084, resulting in gross realized gains of $138,830. The amortized cost and approximate market value of securities pledged to secure public deposits amounted to, $21,075,000 and $20,723,000, respectively, at December 31, 1999.

Proceeds from maturities and the redemption of call provisions of securities held to maturity in 1998 were $9,674,100. There were no realized gains or losses. Proceeds from maturities and the redemption of call provisions of securities available for sale were $22,449,745. There were no realized gains or losses.

Proceeds from maturities and the redemption of call provisions of securities held to maturity in 1997 were $25,632,350. There were no realized gains or losses. Proceeds from maturities and the redemption of call provisions of securities available for sale were $8,576,713. There were no realized gains or losses.

NOTE 3: Loans

Major classifications of loans are summarized as follows:

	December 31,	
	1999	1998
Real estate--mortgage	$ 90,947,032	$ 87,231,351
Real estate--construction	7,980,243	5,375,752
Commercial, financial, and agricultural	89,139,244	62,885,477
Equity lines	10,271,970	8,579,523
Consumer	12,090,548	9,543,608
	210,429,037	173,615,711
Less unearned loan fees	(1,011,363)	(937,020)
	209,417,674	172,678,691
Less reserve for loan losses	(3,301,778)	(2,760,263)
	$206,115,896	$169,918,428

Loans on non-accrual status were $49,000 and $463,000 at December 31, 1999 and 1998, respectively. If interest income had been recognized on non-performing loans at their stated rates during fiscal years 1999, 1998, and 1997, interest income would have increased by approximately $8,000, $37,000, and $37,000, respectively. The balance of impaired loans at December 31, 1999 and 1998, was $49,000 and $463,000, respectively, with no specific valuation allowance associated with these loans.

NOTE 4: Reserve for Loan Losses

Changes in the reserve for loan losses were as follows:

	Year Ended December 31,		
	1999	1998	1997
Balance at the beginning of year	$2,760,263	$2,233,359	$1,926,775
Provision charged to operations	600,000	600,000	330,000
Loans charged off	(86,220)	(98,699)	(27,430)
Recoveries of loans previously charged off	27,735	25,603	4,014
Balance at the end of year	$3,301,778	$2,760,263	$2,233,359

NOTE 5: Corporate Premises and Equipment

Major classifications of corporate premises and equipment are summarized as follows:

	December 31,	
	1999	1998
Land	$ 1,516,381	$ 1,316,381
Buildings	7,168,528	5,277,851
Equipment, furniture, and fixtures	7,605,931	6,881,025
	16,290,840	13,475,257
Less accumulated depreciation	(7,886,750)	(7,009,882)
	$ 8,404,090	$ 6,465,375

NOTE 6: Time Deposits

Time deposits are summarized as follows:

	December 31,	
	1999	1998
Certificates of deposit, $100M or more	$ 17,667,262	$ 18,567,412
Other time deposits	86,713,741	90,566,785
	$104,381,003	$109,134,197

Remaining maturities on time deposits are as follows:

	Year ending December 31,
2000	$ 78,771,622
2001	16,466,099
2002	4,111,452
2003	3,048,345
2004 and thereafter	1,983,485
	$104,381,003

NOTE 7: Borrowings

Short-term borrowings consist of securities sold under agreements to repurchase which are secured transactions with customers and generally mature the day following the date sold. Short-term borrowings also include advances from the Federal Home Loan Bank (FHLB), which are secured by a blanket floating lien on all real estate mortgage loans secured by one- to-four family residential properties.

The table below presents selected information on short-term borrowings:

	December 31, 1999	December 31, 1998
Maximum balance at any month-end during the year	$27,200,000	$43,609,000
Average balance for the year	$12,601,055	$22,237,000
Weighted average rate for the year	4.93%	5.50%
Weighted average rate on borrowings at year-end	4.80%	4.61%
Estimated fair value	$30,035,293	$14,661,078

The Corporation has unused lines of credit for borrowings totaling approximately $47,800,000 at December 31, 1999.

Long-term borrowings consist of convertible fixed-rate advances from the FHLB. There were no long-term borrowings at December 31, 1999. At December 31, 1998, convertible fixed-rate advances totaled $10,000,000 with an average interest rate of 5.01%. These advances are also secured by a blanket floating lien on all real estate mortgage loans secured by one-to-four family residential properties.

NOTE 8: Earnings Per Share

The following shows the weighted average number of shares used in computing earnings per share and the effect on weighted average number of shares of diluted potential common stock. All shares have been restated to reflect the effect of a two-for-one stock split in July 1998.

	December 31, 1999	December 31, 1998	December 31, 1997
Weighted average number of common shares used in earnings per common share--basic	3,684,796	3,857,542	3,930,288
Effect of dilutive securities:			
Stock options	53,438	62,233	22,468
Weighted average number of common shares used in earnings per common share--assuming dilution	3,738,234	3,919,775	3,952,756

Options on approximately 15,000 and 20,000 shares were not included in computing earnings per common share--assuming dilution for the years ended December 31, 1999 and 1997, respectively, because their effects were antidilutive. All options were included in computing earnings per common share--assuming dilution for the year ended December 31, 1998.

NOTE 9: Income Taxes

Principal components of income tax expense as reflected in the statements of income are as follows:

	Year Ended December 31, 1999	1998	1997
Current taxes	$2,517,505	$2,685,996	$1,934,892
Deferred taxes	(123,139)	(332,645)	(320,929)
	$2,394,366	$2,353,351	$1,613,963

The income tax provision is less than would be obtained by application of the statutory federal corporate tax rate to pre-tax accounting income as a result of the following items:

	Year Ended December 31,					
	1999	Percent of Pre-tax Income	1998	Percent of Pre-tax Income	1997	Percent of Pre-tax Income
Income tax computed at federal statutory rates	$3,111,203	34.0%	$2,885,712	34.0%	$2,227,269	34.0%
Tax effect of exclusion of interest income on obligations of states and political subdivisions	(833,784)	(9.1)	(713,203)	(8.4)	(714,061)	(10.9)
Reduction of interest expense incurred to carry tax-exempt assets	94,336	1.0	87,710	1.0	77,067	1.2
State income taxes, net of federal tax benefit	128,383	1.4	122,650	1.4	22,054	.3
Tax effect of dividends-received deduction on preferred stock	(79,695)	(.9)	(71,957)	(.8)	(66,614)	(1.0)
Other	(26,077)	(.3)	42,439	.5	68,248	1.0
	$2,394,366	26.1%	$2,353,351	27.7%	$1,613,963	24.6%

Other assets include deferred income taxes of $2,081,929 and $1,020,295 at December 31, 1999 and 1998, respectively. Other assets include current taxes receivable of $343,000 at December 31, 1999. Other liabilities include current taxes payable of $29,166 at December 31, 1998. Income tax returns subsequent to 1996 are subject to examination by taxing authorities. The tax effects of each type of significant item that gave rise to deferred taxes are:

	Year Ended December 31,	
	1999	1998
Deferred tax asset		
Deferred loan fees	$ 23,726	$ 47,453
Allowance for loan losses	1,006,100	852,515
Deferred compensation	217,169	105,393
Net unrealized loss on securities available for sale	647,334	--
Interest on non-accrual loans	1,060	149,406
Accrued pension	54,853	69,354
Intangible asset	141,162	105,076
Other	68,606	99,026
Deferred tax asset	2,160,010	1,428,223
Deferred tax liability		
Net unrealized gain on securities available for sale	--	(291,161)
Depreciation	(78,081)	(116,767)
Deferred tax liability	(78,081)	(407,928)
Net deferred tax asset	$2,081,929	$1,020,295

NOTE 10: Employee Benefit Plans

The Bank maintains a Defined Contribution Profit-Sharing Plan (the "Profit- Sharing Plan") sponsored by the Virginia Bankers Association. The Profit- Sharing Plan was amended effective January 1, 1997, to include a 401(k) savings provision which authorizes a maximum voluntary salary deferral of up to 15% of compensation (with a partial company match), subject to statutory limitations. The Profit-Sharing Plan provides for an annual discretionary contribution to the account of each eligible employee based in part on the Bank's profitability for a given year and on each participant's yearly earnings. All full-time employees who have attained the age of eighteen and have at least three months of service are eligible to participate. Contributions and earnings may be invested in various investment vehicles offered through the Virginia Bankers Association. Contributions and earnings are tax-deferred. An employee is 20% vested after three years of service, 40% after four years, 60% after five years, 80% after six years, and fully vested after seven years. The amounts charged to expense under this plan were $293,584, $281,230, and $244,617 in 1999, 1998, and 1997, respectively.

The Mortgage Corporation maintains a Defined Contribution 401(k) Savings Plan which authorizes a maximum voluntary salary deferral of up to 15% of compensa- tion, subject to statutory limitations. All full-time employees who have at- tained the age of eighteen are eligible to participate on the first day of the next month following employment date. The Mortgage Corporation reserves the right for an annual discretionary contribution to the account of each eligible employee based in part on the Mortgage Corporation's profitability for a given year, and on each participant's yearly earnings. An employee is vested 25% af- ter two years of service, 50% after three years of service, 75% after four years of service, and fully vested after five years. The amount charged to ex- pense under the Plan was $160,000, $185,000 and $50,000 for 1999, 1998 and 1997, respectively.

The Bank adopted a Management Incentive Bonus Plan (the "Bonus Plan") effec- tive January 1, 1987. The Bonus Plan is offered to selected members of manage- ment. The Bonus Plan is derived from a pool of funds determined by the Bank's total performance relative to (1) prescribed growth-rates of assets and depos- its, (2) return on average assets, and (3) absolute level of net income. At- tainment, in whole or in part, of these goals dictates the amount set aside in the pool of funds. Evaluation of attainment and approval of the pool amount are performed by the Board. Payment of the bonus is based on individual per- formance and is paid in cash. Expense is accrued in the fiscal year of the specified bonus performance. Expenses under this plan were $173,200, $166,150, and $136,700 in 1999, 1998, and 1997, respectively. Additional bonuses total- ing $31,148 and $35,205, were granted to employees not covered by the Bonus Plan in 1998 and 1997, respectively.

The Bank has a non-contributory, defined benefit pension plan for full-time employees over twenty-one years of age. Benefits are generally based upon years of service and average compensation for the five highest-paid consecu- tive years of service. The Bank funds pension costs in accordance with the funding provisions of the Employee Retirement Income Security Act. Information about the plan follows:

	Year Ended December 31,	
	1999	1998
Change in Benefit Obligation		
Benefit obligation, beginning	$1,576,452	$1,314,383
Service cost	161,535	141,160
Interest cost	118,101	98,446
Actuarial (gain)/loss	(37,775)	98,633
Benefits paid	(76,563)	(76,170)
Benefit obligation, ending	$1,741,750	$1,576,452
Change in Plan Assets		
Fair value of plan assets, beginning	$1,557,120	$1,361,274
Actuarial return on plan assets	177,029	(5,523)
Employer contributions	204,973	277,539
Benefits paid	(76,563)	(76,170)
Fair value of plan assets, ending	$1,862,559	$1,557,120
Funded status	$ 120,809	$ (19,332)
Unrecognized net actual gain	(257,537)	(157,740)
Unrecognized net obligation at transition	(64,960)	(70,373)
Unrecognized prior service cost	40,359	43,463
Accrued benefit cost included in other liabilities	$ (161,329)	$ (203,982)

	Year Ended December 31,		
	1999	1998	1997
Components of Net Periodic Benefit Cost			
Service cost	$161,535	$141,160	$125,797
Interest cost	118,101	98,446	75,968
Expected return on plan assets	(115,003)	(122,355)	(93,629)
Amortization of prior service cost	3,104	3,104	3,104
Amortization of net obligation at transition	(5,413)	(5,413)	(5,413)
Recognized net actuarial gain	(4)	(12,406)	(12,569)
Net periodic benefit cost	$162,320	$102,536	$ 93,258
Weighted-Average Assumptions as of December 31			
Discount rate	7.5%	7.5%	7.5%
Expected return on plan assets	9.0	9.0	9.0
Rate of compensation increase	4.0	4.0	4.0

NOTE 11: Related Party Transactions

Loans to directors and officers totaled $926,000 and $1,070,000 at December 31, 1999 and 1998, respectively. New advances to directors and officers to- taled $413,000 and repayments totaled $557,000 in the year ended December 31, 1999.

NOTE 12: Stock Options

Under the Incentive Stock Option Plan ("the Plan"), options to purchase common stock are granted to certain key employees of the Corporation. Options are is- sued to employees at a price equal to the fair market value of common stock at the date granted. Prior to December 21, 1999, one-third of the options granted become exercisable commencing one year after the grant date with an additional one-third becoming exercisable after each of the following two years. Options granted on December 21, 1999, become exercisible five years after the grant date. In 1983, the shareholders authorized 100,000 shares of common stock for issuance under the Plan. An additional 200,000 shares were authorized for the Plan in 1994. All options expire ten years from the grant date.

In 1998, the Board of Directors authorized 25,000 shares of common stock for issuance under the Non-Employee Director Stock Option Plan (the "Director Plan"). In 1999, the Director Plan was amended to authorize a total of 150,000 shares for issuance. Under the Director Plan, options to purchase common stock are granted to non-employee directors of the Bank. Options are issued to non- employee directors at a price equal to the fair market value of common stock at the date granted. The options granted are exercisable six months after grant. All options expire ten years from the grant date.

In 1999, the Board of Directors authorized 25,000 shares of common stock for issuance under the 1999 Regional Director Stock Compensation Plan. Under this plan, options to purchase common stock are granted to non-employee regional directors of Citizens & Commerce Bank, a division of the Bank. Options are is- sued to non-employee regional directors at a price equal to the fair market value of common stock at the date granted. One third of the options granted become exercisable commencing one year after the grant date with an additional one-third becoming exercisable after each of the following two years. All op- tions expire ten years from the grant date.

The Corporation applies APB Opinion 25 and related Interpretations in account- ing for the stock option plans. Accordingly, no compensation cost has been recognized for its plans. Had compensation cost for the plans been determined based on the fair value at the grant dates of options consistent with FASB Statement 123, the Corporation's net income and earnings per share would not have been materially different from those amounts shown on the statements of income for the years ended December 31, 1999, 1998, and 1997 .

The fair value of each option granted during the years ended December 31, 1999, 1998, and 1997, was estimated on the date of grant using the Black- Scholes option pricing model with the following assumptions for 1999, 1998, and 1997, respectively: risk-free rate of 6.7, 4.5, and 5.6% and volatility of 25, 30, and 20%. The dividend yield used in the pricing model was 2.8, 2.6, and 3.0% for 1999, 1998, and 1997, respectively. The expected lives used was eight years for 1999, 1998, and 1997.

Transactions under the Plan for the periods indicated, restated to reflect the effect of a two-for-one stock split in July 1998, were as follows:

	1999		1998		1997	
	Shares	Exercise Price*	Shares	Exercise Price*	Shares	Exercise Price*
Outstanding at beginning of year	169,860	$12.36	164,936	$ 9.94	148,100	$9.19
Granted	68,350	17.64	42,900	18.77	33,700	12.50
Exercised	(25,068)	9.44	(34,508)	9.05	(15,664)	7.53
Canceled	(4,698)	15.27	(3,468)	9.69	(1,200)	9.13
Outstanding at end of year	208,444	$14.37	169,860	$12.36	164,936	$9.94
*Weighted average						
Options exercisable at year-end	108,761		97,304		105,380	
Weighted-average fair value of options granted during the year	$ 5.40		$ 5.81		$ 2.94	

The following table summarizes information about stock options outstanding at December 31, 1999:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding at December 31, 1999	Remaining Contractual Life	Exercise Price*	Number Exercisable at December 31, 1999	Exercise Price*
$8.75 to 12.50	99,694	5.86 years	$10.35	90,069	$10.15
$17.00 to 20.50	108,750	9.63 years	18.06	18,692	18.95
$8.75 to 20.50	208,444	7.83 years	$14.37	108,761	$11.66

*Weighted average

NOTE 13: Regulatory Requirements and Restrictions

The Corporation and the Bank are subject to various regulatory capital re- quirements administered by the federal banking agencies. Failure to meet mini- mum capital requirements can initiate certain mandatory--and possibly addi- tional discretionary--actions by regulators that, if undertaken, could have a direct material effect on the Corporation's and the Bank's financial state- ments. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Corporation and the Bank must meet specific cap- ital guidelines that involve quantitative measures of the Corporation's and the Bank's assets, liabilities, and certain off-balance-sheet items as calcu- lated under regulatory accounting practices. The Corporation's and the Bank's capital amounts and classification are subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Prompt cor- rective action provisions are not applicable to bank holding companies.

Quantitative measures established by regulation to ensure capital adequacy re- quire the Corporation and the Bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital (as defined in the regu- lations) to risk-weighted assets (as defined), and of Tier I capital (as de- fined) to average assets (as defined) less goodwill. For both the Corporation and the Bank, Tier I capital consists of shareholders' equity excluding any net unrealized gain (loss) on securities available for sale less goodwill, and total capital consists of Tier I capital and a portion of the allowance for loan losses. Risk-weighted assets for the Corporation and the Bank were $251,051,000 and $243,735,000, respectively, at December 31, 1999, and $278,514,000 and $273,132,000, respectively, at December 31, 1998. Management believes, as of December 31, 1999, that the Corporation and the Bank meet all capital adequacy requirements to which they are subject.

As of December 31, 1999, the most recent notification from the FDIC catego- rized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must main- tain total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the table below. There are no conditions or events since that notifi- cation that management believes have changed the institution's category.

The Corporation's and the Bank's actual capital amounts and ratios are presented in the table.

(Dollars in thousands)	Actual Amount	Actual Ratio	Minimum Capital Requirements Amount	Minimum Capital Requirements Ratio	Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions Amount	Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions Ratio
As of December 31, 1999:						
Total Capital (to Risk-Weighted Assets)						
Corporation	$38,158	15.2%	$20,084	18.0%	N/A	
Bank	30,867	12.7	19,499	18.0	$24,373	110.0%
Tier I Capital (to Risk-Weighted Assets)						
Corporation	35,019	14.0	10,042	14.0	N/A	
Bank	27,818	11.4	9,749	14.0	14,624	16.0
Tier I Capital (to Average Assets)						
Corporation	35,019	11.3	12,358	14.0	N/A	
Bank	27,818	9.2	12,095	14.0	15,118	15.0
As of December 31, 1998:						
Total Capital (to Risk-Weighted Assets)						
Corporation	$37,350	13.4%	$22,281	18.0%	N/A	
Bank	31,781	11.6	21,851	18.0	$27,313	110.0%
Tier I Capital (to Risk-Weighted Assets)						
Corporation	34,440	12.5	11,141	14.0	N/A	
Bank	29,021	10.6	10,925	14.0	16,388	16.0
Tier I Capital (to Average Assets)						
Corporation	34,440	11.5	12,067	14.0	N/A	
Bank	29,021	9.9	11,842	14.0	14,720	15.0

NOTE 14: Commitments and Financial Instruments with Off-Balance-Sheet Risk

The Corporation is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its cus- tomers. These financial instruments include commitments to extend credit, com- mitments to sell loans, and standby letters of credit. These instruments in- volve elements of credit and interest rate risk in excess of the amount recog- nized in the balance sheet. The contract amounts of these instruments reflect the extent of involvement the Bank has in particular classes of financial in- struments.

The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit written is represented by the contractual amount of these instruments.

The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments. Collateral is ob- tained based on management's credit assessment of the customer. Standby let- ters of credit are written conditional commitments issued by the Bank to guar- antee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in ex- tending loans to customers. The total contract amount of standby letters of credit, whose contract amounts represent credit risk, was $5,547,000 and $4,240,000 at December 31, 1999 and 1998, respectively.

Loan commitments are agreements to extend credit to a customer provided that there are no violations of the terms of the contract prior to funding. Commit- ments have fixed expiration dates or other termination clauses and may require payment of a fee by the customer. Since many of the commitments may expire without being completely drawn upon, the total commitment amounts do not nec- essarily represent future cash requirements. The Bank evaluates each custom- er's creditworthiness on a case-by-case basis. The total amount of loan com- mitments was $43,210,000 and $29,043,000 at December 31, 1999 and 1998, re- spectively.

Commitments to sell loans are designed to eliminate the Mortgage Corporation's exposure to fluctuations in interest rates in connection with loans held for sale. The Mortgage Corporation sells substantially all of the residential mortgage loans it originates to third-party investors, some of whom require the repurchase of loans in the event of early default or faulty documentation. Mortgage loans and their related servicing rights are sold under agreements that define certain eligibility criteria for the mortgage loan. Recourse peri- ods vary from ninety days up to one year and conditions for repurchase vary with the investor. Mortgages subject to recourse are collateralized by single- family residences, have loan-to-value ratios of 80% or C&F Financial Corporation less, or have private mortgage insurance, or are insured or guaranteed by an agency of the U.S. government.

At December 31, 1999, the Mortgage Corporation had locked-rate commitments to originate mortgage loans amounting to approximately $14,370,000. The Mortgage Corporation has entered into mandatory commitments, on a best-effort basis, to sell loans of approximately $39,256,000. Risks arise from the possible inabil- ity of counterparties to meet the terms of their purchase contracts. The Mort- gage Corporation does not expect any counterparty to fail to meet its obliga- tions.

The Mortgage Corporation is committed under noncancelable operating leases for certain office locations. Rent expense associated with these operating leases was $330,000, $297,000, and $244,000 for the years ending December 31, 1999, 1998, and 1997, respectively.

Future minimum lease payments under these leases are as follows:

Year Ending December 31,	
2000	$ 347,356
2001	278,540
2002	234,938
2003	198,399
2004	20,202
	$1,079,435

As of December 31, 1999, the Corporation had $4,850,000 in deposits in finan- cial institutions in excess of amounts insured by the Federal Deposit Insur- ance Corporation (FDIC).

NOTE 15: Disclosures Concerning the Fair Market Value of Financial Instruments

The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of FAS 107, "Disclosures About Fair Value of Financial Instruments." The estimated fair value amounts have been determined by the Corporation using available market information and ap- propriate valuation methodologies. Loan commitments are conditional and sub- ject to market pricing and, therefore, do not reflect a gain or loss of market value. The fair value of standby letters of credit is based on fees currently charged for similar agreements or on estimated costs to terminate them or oth- erwise settle the obligations with the counterparties at the reporting date. However, considerable judgment is required to interpret market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Corporation could realize in a current market exchange. The use of different market assumptions and/or esti- mation methodologies may have a material effect on the estimated fair value amounts.

Cash and short-term investments. The nature of these instruments and their relatively short maturities provide for the reporting of fair value equal to the historical cost.

Investment securities. The fair value of investment securities is based on quoted market prices.

Loans. The estimate of the fair value of the loan portfolio is estimated based on present values using applicable spreads to the U.S. Treasury curve.

Loans held for sale. The fair value of loans held for sale is estimated based on commitments into which individual loans will be delivered.

Deposits and borrowings. The fair value of all demand accounts is the amount payable at the report date. For all other deposits and borrowings, the fair value is determined using the discounted cash flow method. The discount rate was equal to the rate currently offered on similar products.

Accrued interest. The carrying amount of accrued interest approximates fair value.

Dollars in thousands	December 31, 1999 Carrying Amount	1999 Estimated Fair Value	1998 Carrying Amount	1998 Estimated Fair Value
Financial assets:				
Cash and short-term investments	$ 15,486	$ 15,486	$ 8,473	$ 8,473
Securities	66,584	66,769	62,405	64,459
Net loans	206,116	203,500	169,918	172,830
Loans held for sale, net	24,887	25,319	66,993	68,098
Accrued interest receivable	2,136	2,136	2,374	2,374
Financial liabilities:				
Demand deposits	156,473	156,342	142,539	142,512
Time deposits	104,381	104,344	109,134	109,714
Borrowings	30,035	30,035	24,661	24,658
Accrued interest payable	566	566	598	598
Off-balance-sheet items:				
Letters of credit	--	5,547	--	4,240
Unused portions of lines of credit	--	43,210	--	29,043

NOTE 16: Business Segments

The Corporation operates in a decentralized fashion in two principal business activities, retail banking and mortgage banking. Revenues from retail banking operations consist primarily of interest earned on loans and investment secu- rities. Mortgage banking operating revenues consist mainly of interest earned on mortgage loans held for sale, gains on sales of loans in the secondary mortgage market, and loan origination fee income. The Corporation also has an investment company and a title company subsidiary which derive revenues from brokerage and title insurance services. The results of these subsidiaries are not significant to the Corporation as a whole and have been included in "Oth- er." The following table presents segment information for the years ended De- cember 31, 1999, 1998, and 1997.

Year Ended December 31, 1999 Dollars in thousands	Retail Banking	Mortgage Banking	Other	Eliminations	Consolidated
Revenues:					
Interest income	$ 23,096	$ 1,916	$ --	$ (1,368)	$ 23,644
Gain on sale of loans		6,692			6,692
Other	2,134	1,589	860	--	4,583
Total operating income	25,230	10,197	860	(1,368)	34,919
Expenses:					
Interest expense	9,068	1,368	--	(1,368)	9,068
Salaries and employee benefits	5,127	3,889	350	--	9,366
Other	4,586	2,599	149	--	7,334
Total operating expenses	18,781	7,856	499	(1,368)	25,768
Income before income taxes	$ 6,449	$ 2,341	$361	$ --	$ 9,151
Total assets	$327,877	$24,673	$ 36	$(23,345)	$329,241
Capital expenditures	$ 2,709	$ 158	$ --	$ --	$ 2,867

Dollars in Thousands	Year Ended December 31, 1998 Retail Banking	Mortgage Banking	Other	Eliminations	Consolidated
Revenues:					
Interest income	$ 22,195	$ 2,805	$ --	$ (2,382)	$ 22,618
Gain on sale of loans	--	7,129	--		7,129
Other	1,721	1,458	701	--	3,880
Total operating income	23,916	11,392	701	(2,382)	33,627
Expenses:					
Interest expense	9,558	2,382	--	(2,382)	9,558
Salaries and employee benefits	4,587	3,441	258	--	8,286
Other	4,395	2,777	124	--	7,296
Total operating expenses	18,540	8,600	382	(2,382)	25,140
Income before income taxes	$ 5,376	$ 2,792	$319	$ --	$ 8,487
Total assets	$316,584	$ 66,366	$ 26	$(62,112)	$320,864
Capital expenditures	$ 775	$ 104	$ --	$ --	$ 879

Dollars in Thousands	Year Ended December 31, 1997 Retail Banking	Mortgage Banking	Other	Eliminations	Consolidated
Revenues:					
Interest income	$ 19,635	$ 1,184	$ --	$ (1,056)	$ 19,763
Gain on sale of loans	--	4,057	--		4,057
Other	1,578	621	402	--	2,601
Total operating income	21,213	5,862	402	(1,056)	26,421
Expenses:					
Interest expense	8,002	1,056	--	(1,056)	8,002
Salaries and employee benefits	3,949	2,203	180	--	6,332
Other	3,786	1,691	59	--	5,536
Total operating expenses	15,737	4,950	239	(1,056)	19,870
Income before income taxes	$ 5,476	$ 912	$163	$ --	$ 6,551
Total assets	$275,618	$ 24,348	$ 10	$(21,870)	$278,106
Capital expenditures	$ 1,402	$ 216	$ --	$ --	$ 1,618

The retail banking segment provides the mortgage banking segment with the funds needed to originate mortgage loans through a warehouse line of credit and charges the mortgage banking segment interest at the daily FHLB advance rate plus 50 basis points. These transactions are eliminated to reach consolidated totals. Certain corporate overhead costs incurred by the retail banking segment are not allocated to the mortgage banking and other segments. 1999 Annual Report

NOTE 17: Parent Company Condensed Financial Information

Financial information for the parent company is as follows:

Balance Sheets	December 31, 1999	1998
Assets		
Cash	$ 246,108	$ 51,822
Investment securities available for sale	4,738,879	5,103,710
Other assets	1,972,004	603,561
Investments in subsidiary	28,238,069	31,007,732
Total assets	$35,195,060	$36,766,825
Liabilities and shareholders' equity		
Other liabilities	$ 65,350	$ 119,332
Shareholders' equity	35,129,710	36,647,493
Total liabilities and shareholders' equity	$35,195,060	$36,766,825

Statements of Income	Year Ended December 31, 1999	1998	1997
Interest income on investment securities	$ 339,886	$ 308,804	$ 295,477
Interest income on loans	102,627	41,910	21,573
Dividends received from bank subsidiary	7,859,692	1,839,119	5,420,044
Distributions in excess of equity in net income of subsidiary	(1,479,099)	--	(672,045)
Equity in undistributed net income of subsidiary	--	4,064,679	--
Other income	151,153	--	--
Other expenses	(218,029)	(120,476)	(128,222)
Net income	$6,756,230	$6,134,036	$4,936,827

Statements of Cash Flows	Year Ended December 31, 1999	1998	1997
Operating activities:			
Net income	$6,756,230	$6,134,036	$4,936,827
Adjustments to reconcile net income to net cash provided by operating activities:			
Distributions in excess of equity in net income of subsidiary	1,479,099	--	672,045
Equity in undistributed earnings of subsidiary	--	(4,064,679)	--
(Increase) decrease in other assets	(1,368,443)	10,314	(494,174)
Increase (decrease) in other liabilities	219,672	(52,417)	31,767
Net cash provided by operating activities	7,086,558	2,027,254	5,146,465
Investing activities:			
Sale of investments	667,249	949,743	2,083,893
Purchase of investments	(1,107,292)	(1,715,752)	(1,557,413)
Net cash provided by (used in) investing activities	(440,043)	(766,009)	526,480
Financing activities:			
Repurchase of common stock	(4,909,024)	--	(4,331,201)
Dividends paid	(1,797,092)	(1,699,119)	(1,369,788)
Proceeds from the issuance of stock	253,887	377,240	125,524
Net cash used in financing activities	(6,452,229)	(1,321,879)	(5,575,465)
Net increase (decrease) in cash and cash equivalents	194,286	(60,634)	97,480
Cash at beginning of year	51,822	112,456	14,976
Cash at end of year	$ 246,108	$ 51,822	$ 112,456

NOTE 18: Quarterly Condensed Statements of Income--Unaudited

In thousands (except per share)	1999 Quarter Ended March 31	June 30	September 30	December 31
Total interest income	$6,090	$5,592	$5,924	$6,037
Net interest income after provision for loan losses	3,675	3,310	3,555	3,436
Other income	3,178	2,945	2,902	2,250
Other expenses	3,808	4,092	4,073	4,128
Income before income taxes	3,045	2,163	2,384	1,558
Net income	2,146	1,634	1,765	1,211
Earnings per common share--assuming dilution	$ .56	$ .44	$ .48	$ .33
Dividends per common share	.12	.12	.12	.13

In thousands (except per share)	1998 Quarter Ended March 31	June 30	September 30	December 31
Total interest income	$5,314	$5,865	$5,756	$5,683
Net interest income after provision for loan losses	3,050	3,144	3,073	3,192
Other income	2,139	2,841	3,125	2,905
Other expenses	3,236	3,772	3,838	4,136
Income before income taxes	1,953	2,213	2,360	1,961
Net income	1,435	1,617	1,673	1,409
Earnings per common share--assuming dilution	$ .37	$ .41	$ .43	$ .36
Dividends per common share	.10	.11	.11	.12

INDEPENDENT AUDITOR'S REPORT

[LOGO]

The Board of Directors and Shareholders C&F Financial Corporation

We have audited the accompanying consolidated balance sheets of C&F Financial Corporation and Subsidiary as of December 31, 1999 and 1998, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for the years ended December 31, 1999, 1998 and 1997. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of C&F Financial Corporation and Subsidiary as of December 31, 1999 and 1998, and the results of their operations and their cash flows for the years ended December 31, 1999, 1998 and 1997, in conformity with generally accepted accounting principles.

/s/ Yount, Hyde & Barbour, P.C.

January 20, 2000 Winchester, Virginia

INVESTOR INFORMATION

ANNUAL MEETING OF SHAREHOLDERS

The annual meeting of shareholders of C&F Financial Corporation will be held at 3:30 p.m. on Tuesday, April 18, 2000, at the van den Boogaard Center, 3510 King William Avenue, West Point, Virginia. All shareholders are cordially invited to attend.

STOCK PRICE INFORMATION

Effective January 22, 1998, the Corporation's common stock is traded on the over-the-counter market and is listed on the Nasdaq Stock Market under the symbol "CFFI." Prior to this date the Corporation's common stock appeared on the NASDAQ Bulletin Board Listing. As of March 3, 2000, there were approximately 1,100 shareholders of record. Following are the high and low closing prices in 1999 and 1998. Over-the-counter market quotations reflect interdealer prices, without retail mark up, mark down, or commission, and may not necessarily represent actual transactions. All quotations have been restated to reflect the effect of a two-for-one stock split in July 1998.

	1999		1998	
Quarter	High	Low	High	Low
First	$19.63	$18.25	$20.20	$13.50
Second	21.00	18.38	22.00	20.25
Third	23.00	17.25	22.50	19.00
Fourth	22.50	16.75	20.00	18.25

STOCK TRANSFER AGENT

American Stock Transfer & Trust Company serves as transfer agent for the Corporation. You may write them at 40 Wall Street, New York, NY 10005, or telephone them toll-free at 1-800-937-5449.

ANNUAL REPORT ON FORM 10-K AND ADDITIONAL INFORMATION

A copy of Form 10-K as filed with the Securities and Exchange Commission is available without charge to stockholders upon written request. Requests for this or other financial information about C&F Financial Corporation should be directed to:

Tom Cherry
Senior Vice President and Chief Financial Officer C&F Financial Corporation
P.O. Box 391
West Point, VA 23181
1999 Annual Report

C&F Financial Corporation / Citizens and Farmers Bank

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Senior Vice President, Secretary &
General Counsel
Chesapeake Corporation

Larry G. Dillon *+
Chairman, President & CEO
C&F Financial Corporation
Citizens and Farmers Bank

P. L. Harrell+
President Old Dominion Grain, Inc.

James H. Hudson III*+
Attorney-at-Law Hudson
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Joshua H. Lawson+
President
Thrift Insurance CorporationBoard

Bryan E. McKernon+
President & CEO
C&F Mortgage Corporation

Reginald H. Nelson IV+
Retired Partner
Colonial Acres Farm

William E. O'Connell Jr.*+
Chessie Professor of Business
The College of William and Mary

Sture G. Olsson*+
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Chesapeake Corporation

Paul C. Robinson+
Owner & President
Francisco, Robinson &

Thomas B. Whitmore Jr.+
Retired President
Whitmore Chevrolet, Oldsmobile,
Pontiac Co., Inc.

* C&F Financial Corporation Board Member
+ Citizens and Farmers Bank Board Member

Citizens & Commerce Bank

Frank Bell III
President
Citizens & Commerce Bank

Jeffery W. Jones
President & Chief Operating Officer
WFofR, Incorporated

S. Craig Lane
President
Lane & Hamner, P.C.

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Chairman of the Board
Chessie Professor of Business
The College of William and Mary

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Robins Insurance Agency, Inc.

C&F Mortgage Corporation

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Secretary & General Counsel
Chesapeake Corporation

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Chairman of the Board

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Bryan E. McKernon
President & CEO
C&F Mortgage Corporation

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Owner & President
Francisco, Robinson & Associates,
Realtors

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President

Eric F. Nost
Vice President

Thomas F. Cherry
Treasurer

Gari B. Sullivan
Secretary

Independent Public
Accountants

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Winchester, VA

Corporate Counsel

Hudson & Bondurant, P.C.
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Canfield, Moore,
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Susan R. Ferguson

Robert F. Nelson
Professional Engineer
Engineering Design Associates

Phil T. Rutledge
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& Chief Executive Officer

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Gari B. Sullivan *
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Executive Vice President &
Chief Financial Officer

Michael J. Mazzola
Senior Vice President &
Maryland Area Manager

Zana D. Creekmore
Vice President &
Underwriting Manager

Donna G. Jarratt
Vice President & Project Manager

Kevin A. McCann
Vice President & Controller

ANNAPOLIS, MARYLAND
Lawrence Roussil
Vice President & Branch Manager
2191 Defense Highway, Suite 200
Crofton, Maryland 21114
(410) 721-6770

Michael K. Vaughan
Vice President & Loan Officer

Mary M. Yonke
Vice President & Loan Officer

CHARLOTTESVILLE
Philip N. Mahone
Vice President & Branch Manager

William E. Hamrick
Vice President & Branch Manager
1420 Greenbriar Place
Charlottesville, Virginia 22901
(804) 974-1450

CHESTER
Stephen L. Fuller
Vice President & Branch Manager
4517 West Hundred Road
Chester, Virginia 23831
(804) 748-2900

COLUMBIA, MARYLAND
Scott B. Segrist
Vice President & Branch Manager
8492 Baltimore National Pike, Suite 207
Ellicott City, Maryland 21043
(410) 461-6233

LYNCHBURG
J. Garnett Atkins
Branch Manager
17835 Forest Road, Suite B
Forest, Virginia 24551
(804) 385-0700

NEWPORT NEWS
Linda H. Gaskins
Vice President & Branch Manager
703 Thimble Shoals Boulevard, Suite C4
Newport News, Virginia 23606
(757) 873-8200

RICHMOND
Donald R. Jordan
Vice President & Branch Manager

Daniel J. Murphy
Vice President & Production Manager
300 Arboretum Place, Suite 245
Richmond, Virginia 23236
(804) 330-8300

RICHMOND WEST
Page C. Yonce
Vice President & Branch Manager

Constance Bachman-Hamilton
Vice President & Production Manager
7231 Forest Avenue, Suite 202
Richmond, Virginia 23226
(804) 673-3453

WILLIAMSBURG
Irving E. "Ed" Jenkins
Vice President & Branch Manager
1167-A Jamestown Road
Williamsburg, Virginia 23185
(757) 259-1200

C&F Title Agency, Inc.

Eileen A. Cherry
Vice President & Title
Insurance Underwriter
300 Arboretum Place, Suite 245
Richmond, Virginia 23236
(804) 327-3810

C&F Investment Services, Inc.

Eric F. Nost
Vice President & Manager
417 Fourteenth Street
West Point, Virginia 23181
(804) 843-4584
(800) 583-3863

Douglas L. Hartz
Assistant Vice President
2580 New Kent Highway
Quinton, Virginia 23141
(804) 932-8802

Douglas L. Cash Jr.
Branch Manager
1167 Jamestown Road
Williamsburg, Virginia 23185
(757) 229-5629

Exhibit 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 33-88624, No. 333-67535, No. 333-63699, and No. 333- 89551) and Form S-3 (No. 333-60877) and in the related Prospectuses, of our report, dated January 20, 2000, relating to the consolidated financial statements of C&F Financial Corporation and subsidiary, included in the 1999 Annual Report of Shareholders and incorporated by reference in the Annual Report on Form 10-K for the year ended December 31, 1999.

/s/ Yount, Hyde & Barbour, P.C.

Winchester, Virginia

March 22, 2000

ARTICLE 9

PERIOD TYPE	12 MOS
FISCAL YEAR END	DEC 31 1999
PERIOD END	DEC 31 1999
CASH	15,486
INT BEARING DEPOSITS	2,062
FED FUNDS SOLD	0
TRADING ASSETS	0
INVESTMENTS HELD FOR SALE	30,208
INVESTMENTS CARRYING	34,790
INVESTMENTS MARKET	34,976
LOANS	231,002
ALLOWANCE	3,302
TOTAL ASSETS	329,241
DEPOSITS	260,854
SHORT TERM	30,035
LIABILITIES OTHER	2,713
LONG TERM	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	3,644
OTHER SE	0
TOTAL LIABILITIES AND EQUITY	329,241
INTEREST LOAN	19,405
INTEREST INVEST	4,239
INTEREST OTHER	0
INTEREST TOTAL	23,644
INTEREST DEPOSIT	8,328
INTEREST EXPENSE	9,068
INTEREST INCOME NET	14,576
LOAN LOSSES	600
SECURITIES GAINS	139
EXPENSE OTHER	16,100
INCOME PRETAX	9,151
INCOME PRE EXTRAORDINARY	9,151
EXTRAORDINARY	0
CHANGES	0
NET INCOME	6,756
EPS BASIC	1.83
EPS DILUTED	1.81
YIELD ACTUAL	8.41
LOANS NON	835
LOANS PAST	786
LOANS TROUBLED	0
LOANS PROBLEM	0
ALLOWANCE OPEN	2,760
CHARGE OFFS	86
RECOVERIES	28
ALLOWANCE CLOSE	3,302
ALLOWANCE DOMESTIC	3,302
ALLOWANCE FOREIGN	0
ALLOWANCE UNALLOCATED	0

End of Filing