C & F FINANCIAL CORP

FORM 10-K
(Annual Report)

Filed 3/15/2002 For Period Ending 12/31/2001

Address	EIGHTH & MAIN STREETS P O BOX 391
	WEST POINT, Virginia 23181
Telephone	804-843-2360
CIK	0000913341
Industry	Regional Banks
Sector	Financial
Fiscal Year	12/31

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

FORM 10-K

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

For the fiscal year ended December 31, 2001

or
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 No.000-23423

C&F FINANCIAL CORPORATION
(Exact name of registrant as specified in its charter)

Virginia	54-1680165
(State of incorporation)	(I.R.S. Employer Identification No.)

Eighth and Main Streets, West Point, VA 23181
(Address of principal executive offices)

Registrant's telephone number (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

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.
Yes (X) 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 $69,327,000 as of February 26, 2002.

The number of shares of the registrant's common stock outstanding as of February 26, 2002 was 3,529,726.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement dated March 15, 2002 to be delivered to shareholders in connection with the Annual Meeting of Shareholders to be held April 16, 2002 are incorporated by reference into Part III.

TABLE OF CONTENTS

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 twelve branches including the main office. The Bank has its main office at Eighth and Main Streets, West Point, Virginia, and has branch offices in Richmond, Norge, Middlesex, Midlothian, Providence Forge, Quinton, Sandston, Varina, Williamsburg (two branches), 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 generally 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 which is north and west of Routes 14 and 17; Northwestern Chesterfield County, the western portion of the City of Richmond and western Henrico County along the Route 250 corridor.

The Corporation, through its subsidiaries, offers a wide range of banking services available to both individuals and 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. The Bank also offers ATMs, internet banking services, 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. The Bank also operates Citizens and Commerce Bank (CCB), a division of the Bank, to offer banking services to the Richmond Market. CCB operates two of the Bank's Richmond Branches. C&F Title Agency, Inc. organized in October 1992, sells title insurance. 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 currently offers insurance products to commercial customers. C&F Mortgage Corporation, organized in September 1995, originates and sells residential mortgages. C&F Mortgage Corporation provides mortgage services through seven locations in Virginia and three in Maryland. The Virginia offices are in Richmond (two locations), Williamsburg, Newport News, Charlottesville, Lynchburg, and Chester. The Maryland offices are in Annapolis, Crofton, and Ellicott City. See Note 16 to the Consolidated Financial Statements for summarized financial information by business segment.

As of December 31, 2001, a total of 311 persons were employed by the Corporation, of whom 32 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 and national 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 building 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 Corporation'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 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.

The Corporation owns a building located at 1400 Alverser Drive in Midlothian, Virginia. The building provides space for CCB's main office and branch and for C&F Mortgage Corporation's administrative office. This two-story building has 25,000 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 ten leased offices, seven in Virginia and three in Maryland. Rental expense for these locations totaled $580,000 for the year ended December 31, 2001.

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 to 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 Corporation's common stock is traded on the over-the-counter market and is listed on the Nasdaq Stock Market under the symbol "CFFI." As of March 5, 2002, there were approximately 1,100 shareholders of record. Following are the high and low closing prices along with the dividends that were paid quarterly in 2001 and 2000. Over-the-counter market quotations reflect interdealer prices, without retail mark up, mark down, or commission, and may not necessarily represent actual transactions.

	2001			2000		
Quarter	High	Low	Dividends	High	Low	Dividends
First	$16.50	$14.50	$0.14	$18.00	$11.25	$0.13
Second	17.20	15.90	0.14	17.75	11.25	0.13
Third	18.20	16.25	0.15	17.38	15.00	0.13
Fourth	21.00	18.68	0.15	16.25	14.50	0.14

ITEM 6. SELECTED FINANCIAL DATA

FIVE YEAR FINANCIAL SUMMARY

	2001	2000	1999	1998	1997
Selected Year-End Balances:					
Total assets	$404,075,974	$347,471,672	$329,241,321	$320,863,629	$278,105,969
Total capital	44,743,023	38,780,450	35,129,710	36,647,493	31,800,533
Total loans (net)	246,112,369	229,943,715	206,115,896	169,918,428	154,744,620
Total deposits	323,912,501	290,688,036	260,853,635	251,673,159	231,513,152
Summary of Operations:					
Interest income	28,234,385	26,421,479	23,643,557	22,617,509	19,763,048
Interest expense	11,984,392	11,309,399	9,067,867	9,558,059	8,002,301
Net interest income	16,249,993	15,112,080	14,575,690	13,059,450	11,760,747
Provision for loan losses	400,000	400,000	600,000	600,000	330,000
Net interest income after provision for loan losses	15,849,993	14,712,080	13,975,690	12,459,450	11,430,747
Other operating income	17,420,619	8,945,062	11,004,456	10,835,243	6,657,608
Other operating expenses	21,964,093	15,998,380	15,829,550	14,807,306	11,537,565
Income before taxes	11,306,519	7,658,762	9,150,596	8,487,387	6,550,790
Income tax expense	3,317,802	1,822,731	2,394,366	2,353,351	1,613,963
Net income	$ 7,988,717	$ 5,836,031	$ 6,756,230	$ 6,134,036	$ 4,936,827
Per share					
Earnings per common share--assuming dilution	$ 2.23	$ 1.60	$ 1.81	$ 1.56	$ 1.25
Dividends	.58	.53	.49	.44	.35
Weighted average number of shares--assuming dilution	3,587,307	3,640,314	3,738,234	3,919,775	3,952,756

Significant Ratios	2001	2000	1999
Return on average assets	2.09%	1.76%	2.19%
Return on average equity	18.93	15.99	19.22
Dividend payout ratio	25.74	32.74	26.60
Average equity to average assets	11.05	10.99	11.38

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

OVERVIEW

Net income totaled $8.0 million in 2001, an increase of 36.9% compared to 2000. Included in earnings for 2001 was $776,000 in other operating income (after taxes) which resulted from a gain on the sale of the Bank's Tappahannock branch. Excluding this gain, net income increased 23.6% compared to 2000. In 2000, net income totaled $5.8 million, a 13.6% decrease compared to 1999. Diluted earnings per share were $2.23, $1.60, and $1.81, in 2001, 2000, and 1999, respectively. Excluding the gain on the sale of the branch, diluted earnings per share were $2.01 in 2001. The increase in earnings per share for 2001 was a result of higher net income and the repurchase of 59,981 shares of the Corporation's common stock. The decrease in earnings per share for 2000 was a result of lower net income offset by the repurchase of 85,000 shares of the Corporation's common stock.

Profitability as measured by the Corporation's return on average equity (ROE) was 18.93% in 2001, 15.99% in 2000, and 19.22% in 1999. Another key indicator of performance, the return on average assets (ROA) for 2001, was 2.09%, compared to 1.76% in 2000, and 2.19% for 1999.

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, 2001, 2000, and 1999. 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. 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.

	2001			2000			1999		
(Dollars in thousands)	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate
Assets									
Securities:									
Taxable	$ 8,402	$ 591	7.03%	$ 16,089	$ 1,157	7.19%	$ 15,293	$ 1,097	7.17%
Tax-exempt	51,185	4,088	7.99	52,068	4,196	8.06	49,049	4,013	8.18
Total securities	59,587	4,679	7.85	68,157	5,353	7.85	64,342	5,110	7.94
Loans, net	293,056	24,810	8.47	241,291	22,245	9.22	216,295	18,850	8.71
Interest-bearing deposits in other banks and fed funds	3,216	100	3.11	3,482	215	6.17	9,621	458	4.76
Total earning assets	355,859	$29,589	8.31%	312,930	$27,813	8.89%	290,258	$24,418	8.41%
Reserve for loan losses	(3,730)			(3,451)			(3,003)		
Total non-earning assets	29,638			22,723			21,710		
Total assets	$381,767			$332,202			$308,965		
Liabilities and Shareholders' Equity									
Time and savings deposits:									
Interest-bearing deposits	$ 54,481	$ 1,046	1.92%	$ 50,977	$ 1,236	2.42%	$ 45,627	$ 1,084	2.38%
Money market deposit accounts	26,290	802	3.05	25,938	877	3.38	25,207	807	3.20
Savings accounts	38,921	952	2.45	38,640	1,150	2.98	39,131	1,164	2.97
Certificates of deposit, $100M or more	32,421	1,769	5.46	22,955	1,266	5.52	17,977	857	4.77
Other certificates of deposit	119,535	6,639	5.55	96,004	5,203	5.42	89,467	4,416	4.94
Total time and savings deposits	271,648	11,208	4.13	234,514	9,732	4.15	217,409	8,328	3.83
Borrowings	19,628	836	4.26	25,774	1,577	6.12	15,002	740	4.93
Total interest-bearing liabilities	291,276	12,044	4.14%	260,288	11,309	4.34%	232,411	9,068	3.90%
Demand deposits	39,240			31,511			35,697		
Other liabilities	9,060			3,895			5,701		
Total liabilities	339,576			295,694			273,809		
Shareholders' equity	42,191			36,508			35,156		
Total liabilities and Shareholders' equity	$381,767			$332,202			$308,965		
Net interest income		$17,545			$16,504			$15,350	
Interest rate spread			4.17			4.55			4.51
Interest expense to average earning assets			3.38			3.61			3.12
Net interest margin			4.93%			5.27%			5.29%

RESULTS OF OPERATIONS

NET INTEREST INCOME

During 2001, net interest income, on a taxable equivalent basis, increased 6.3% to $17.5 million from $16.5 million. This was a result of a 13.7% increase in the average balance of interest earning assets offset by a decrease in the net interest margin to 4.93% in 2001 from 5.27% in 2000. The increase in average earning assets was the result of an increase in the average balance of the loan portfolio at the Bank and an increase in the average balance of loans held for sale by C&F Mortgage Corporation (the "Mortgage Corporation") offset by a decrease in the Bank's securities portfolio and an increase in non-earning assets. The increase in loans at the Bank was a result of overall higher loan demand. The decrease in the average balance of securities was a result of calls and maturities of securities during 2001. The increase in non-earning assets principally resulted from the addition of new branch locations. Numerous securities were called as a result of the lower interest rate environment in 2001. The increase in loans held for sale at the Mortgage Corporation was a result of an increase in loan originations to $627 million in 2001 from $294 million in 2000 and an increase in loan fundings (sales) to $575 million in 2001 from $302 million in 2000. The decrease in the net interest margin was a result of a decrease in the yield on average earning assets from 8.89% in 2000 to 8.31% in 2001 offset by a decrease in the cost of funds from 4.34% in 2000 to 4.14% in 2001. The decrease in the average yield on interest earning assets was primarily a result of the declining interest rate environment. The decrease in the cost of funds was primarily a result of the declining interest rate environment during 2001 and a decrease in the average balance of borrowings from the Federal Home Loan Bank ("FHLB"). During 2001, the Federal Reserve decreased the federal funds rate 11 times for a total of 475 basis points.

During 2000, net interest income, on a taxable equivalent basis, increased 7.5% to $16.5 million from $15.4 million, excluding the one-time interest collected on a non-accrual loan in 1999. This was a result of a 7.8% increase in the average balance of interest earning assets offset by a slight decrease in the net interest margin to 5.27% in 2000 from 5.29% in 1999. The increase in average earning assets was the result of an increase in the average balance of the loan portfolio and securities portfolio at the Bank offset by a decrease in the average balance of loans held for sale by the Mortgage Corporation, and a decrease in the average balance in interest earning deposits in other banks and fed funds sold. The increase in loans at the Bank was a result of overall higher loan demand. The increase in the average balance of securities was a result of the purchase of securities during the last six months of 1999. A large number of securities were called in the first half of 1999 and were replaced in the second half of 1999. The current year reflects the effect of a full year of these purchases. The decrease in loans held for sale at the Mortgage Corporation was a result of a decrease in loan originations to $294 million in 2000 from $457 million in 1999 and a decrease in loan fundings
(sales) to $302 million in 2000 from $499 million in 1999. The decrease in the average balance in interest earning deposits in other banks and fed funds sold was a result of excess liquidity being invested in higher yielding loans and securities. The decrease in the net interest margin was a result of an increase in the cost of funds from 3.90% in 1999 to 4.34% in 2000 offset by an increase in the yield on average earning assets from 8.41% in 1999 to 8.89% in 2000. The increase in the cost of funds was a result of the overall higher interest rate environment during 2000 and an increase in the average balance of higher cost borrowings from the FHLB. From August 1999 to March 2000, the interest rates on fed funds increased 150 basis points. This increase was clearly reflected in the average cost of certificates of deposit paid by the Corporation. The increase in the average balance of borrowings from the FHLB was a result of loan growth outpacing deposit growth during most of 2000. In addition to providing funding for loans originated and subsequently sold by the Mortgage Corporation, borrowings from the FHLB are occasionally used for funding of the Bank's loan portfolio. The increase in the average yield on interest earning assets was mainly a result of the higher interest rate environment and the decrease in the average balance of lower yielding loans held for sale at the Mortgage Corporation.

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.

	2001 from 2000			2000 from 1999		
	Increase (Decrease) Due to		Total	Increase (Decrease) Due to		Total
(Dollars in thousands)	Rate	Volume	Increase (Decrease)	Rate	Volume	Increase (Decrease)
Interest income:						
Loans	$ (1,925)	$ 4,490	$ 2,565	$ 1,133	$ 2,262	$ 3,395
Securities:						
Taxable	(25)	(541)	(566)	3	57	60
Tax-exempt	(37)	(71)	(108)	(61)	244	183
Total securities	(62)	(612)	(674)	(58)	301	243
Interest-bearing deposits in other banks and fed funds	(97)	(18)	(115)	43	(286)	(243)
Total interest income	(2,084)	3,860	1,776	1,118	2,277	3,395
Interest expense:						
Time and savings deposits:						
Interest-bearing deposits	(270)	80	(190)	23	129	152
Money market deposit accounts	(87)	12	(75)	46	24	70
Savings accounts	(206)	8	(198)	1	(15)	(14)
Certificates of deposit, $100M or more	(14)	517	503	148	261	409
Other certificates of deposit	132	1,304	1,436	451	336	787
Total time and savings deposits	(445)	1,921	1,476	669	735	1,404
Other borrowings	(415)	(326)	(741)	210	627	837
Total interest expense	(860)	1,595	735	879	1,362	2,241
Change in net interest income	$ (1,224)	$ 2,265	$ 1,041	$ 239	$ 915	$ 1,154

NON-INTEREST INCOME

TABLE 3: Non-Interest Income

(Dollars in thousands)	2001	2000	1999
	Year Ended December 31,		
Gain on sale of loans	$10,390	$ 5,009	$ 6,692
Service charges on deposit accounts	1,442	1,336	1,154
Other service charges and fees	3,211	1,675	1,950
Gain on calls of available for sale securities	6	100	139
Gain on sale of branch	1,176	--	--
Other income	1,196	825	1,069
	$17,421	$ 8,945	$11,004

2001 vs. 2000

Non-interest income increased by $8.5 million, or 94.8%, in 2001. The increase was mainly a result of a $5.4 million increase in the gain on sale of loans at the Mortgage Corporation. This increase was a result of the overall increase in production at the Mortgage Corporation which was a result of the lower interest rate environment in 2001 compared to 2000. Other service charges and fees increased $1,536,000 as a result of increased production at the Mortgage Corporation and other income increased $371,000 largely due to increased production at the Mortgage Corporation and C&F Title Agency. The gain on sale of branch was a result of the sale of the Bank's Tappahannock branch office during the fourth quarter of 2001. Management believed this location did not fit into the Bank's geographic focus.

2000 vs. 1999

Non-interest income decreased by $2.1 million, or 18.7%, in 2000. The decrease was mainly a result of a $1.7 million decrease in the gain on sale of loans at the Mortgage Corporation. This decrease was a result of the overall decrease in production at the Mortgage Corporation which was a result of the higher interest rate environment in 2000 compared to 1999. In addition, other service charges and fees at the Mortgage Corporation declined $309,000 and other income at the Title Company, declined $132,000. These decreases were partially offset by an increase in service charges on deposit accounts at the Bank of $181,000 which was due to the overall growth of the Bank during 2000.

NON-INTEREST EXPENSE

TABLE 4: Non-Interest Expense

(Dollars in thousands)	2001	2000	1999
	Year Ended December 31,		
Salaries and employee benefits	$13,443	$ 9,603	$ 9,366
Occupancy expense	2,886	2,378	2,044
Goodwill amortization	268	275	275
Other expenses	5,367	3,742	4,145
	$21,964	$15,998	$15,830

2001 vs. 2000

Non-interest expense increased $5,966,000, or 37.3%, over 2000. This increase was primarily a result of increased salaries and variable compensation at the Mortgage Corporation due to an increase in production. Salaries and benefits at the Bank also increased as a result of overall growth, the opening of a new branch by CCB, and the opening of a branch of the Bank in Sandston during the fourth quarter of 2001. The opening of the two new branches along with investments in imaging and internet banking technology resulted in an increase in occupancy expenses. Other expenses increased mainly as a result of increased production at the Mortgage Corporation.

2000 vs. 1999

Non-interest expense increased $168,000, or 1.1%, over 1999. This increase was a result of increased salaries and benefits at the Bank offset by decreased salaries and variable compensation at the Mortgage Corporation due to a decrease in production. The increase in salaries and benefits at the Bank was due to overall growth including the formation of CCB, and the opening of a branch of the Bank in Williamsburg, Virginia during the second quarter of 2000. CCB was formed in the second half of 1999. The growth of the Bank also resulted in an increase in occupancy expense. Other expenses declined mainly as a result of decreased production at the Mortgage Corporation.

INCOME TAXES

Applicable income taxes on 2001 earnings amounted to $3,318,000, resulting in an effective tax rate of 29.3% compared to $1,823,000, or 23.8% in 2000, and $2,394,000, or 26.1% in 1999. The increase in the effective tax rate for 2001 as compared to 2000 was a result of a decrease in earnings from tax exempt assets as a percentage of total income mainly resulting from the increased earnings at the Mortgage Corporation. The decrease for 2000 compared to 1999 was a result of the increase in earnings from tax exempt assets as a percentage of total income mainly resulting from the decrease in earnings at the Mortgage Corporation.

TABLE 5: Allowance for Loan Losses

	Year Ended December 31,				
(Dollars in thousands)	2001	2000	1999	1998	1997
Reserve, beginning of period	$3,609	$3,302	$2,760	$2,234	$1,927
Provision for loan losses	400	400	600	600	330
Loans charged off:					
Real estate--mortgage	--	--	10	33	12
Real estate--construction	32	31	--	--	--
Commercial, financial, and agricultural	126	--	--	--	3
Consumer	192	71	76	66	12
Total loans charged off	350	102	86	99	27
Recoveries of loans previously charged off:					
Real estate--mortgage	--	--	--	25	--
Commercial, financial, and agricultural	--	--	13	--	--
Consumer	25	9	15	--	4
Total recoveries	25	9	28	25	4
Net loans charged off	325	93	58	74	23
Balance, end of period	$3,684	$3,609	$3,302	$2,760	$2,234
Ratio of net charge-offs to average total loans outstanding during period	.11%	.04%	.03%	.04%	.01%

TABLE 6: 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 2002 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)	2001	2000	1999	1998	1997
Allocation of allowance for loan losses, end of year:					
Real estate--mortgage	$ 619	$ 743	$ 753	$ 667	$ 692
Real estate--construction	263	251	160	108	89
Commercial, financial, and agricultural	2,203	2,005	1,686	1,211	926
Equity lines	113	116	103	86	71
Consumer	290	267	380	251	167
Unallocated	196	227	220	437	289
Balance, December 31	$3,684	$3,609	$3,302	$2,760	$2,234
Ratio of loans to total year-end loans:					
Real estate--mortgage	32%	37%	43%	50%	57%
Real estate--construction	4	4	4	3	3
Commercial, financial, and agricultural	55	49	42	36	31
Equity lines	4	5	5	5	4
Consumer	5	5	6	6	5
	100%	100%	100%	100%	100%

ASSET QUALITY-ALLOWANCE AND PROVISION FOR LOAN LOSSES

The allowance for loan losses is to provide for potential losses in the loan portfolio. Among other factors, management considers the Corporation's historical loss experience, the size and composition of the loan portfolio, the value and adequacy of collateral and guarantors, non-performing credits, and current 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 allowance for loan losses is an estimate. The allowance is also subject to regulatory examinations and determination as to adequacy, which may take into account 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 2001, the provision for loan losses was $400,000 compared to $400,000 in 2000 and $600,000 in 1999. Over the past several years, the Corporation has substantially increased its portfolio of commercial, financial, and agricultural loans. The risks associated with increasing the volume of such loans resulted in an increase in the provision for loan losses for 1999 when compared to years prior to 1998. While the Corporation continues to increase its commercial, financial and agricultural loan portfolio, the portfolio also continues to become "more seasoned" allowing management to better assess the risk associated with the portfolio. Accordingly, management was able to reduce the provision for loan losses in 2001 and 2000 to $400,000 from $600,000 in 1999. Table 6 presents the allocation of the allowance for possible loan losses by loan category.

Loans charged off during 2001 amounted to $350,000 compared to $102,000 in 2000 and $86,000 in 1999. Recoveries amounted to $24,000, $9,000, and $28,000 in 2001, 2000, and 1999, respectively. The ratio of net charge-offs to average outstanding loans was .11% in 2001,.04% in 2000, and .03% in 1999. Management believes that the reserve is adequate to absorb any losses on existing loans that may become uncollectible. Table 5 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 $1,026,000 at December 31, 2001, an increase of $506,000 from December 31, 2000. The increase in non-performing assets is a result of certain lending relationships being put on non-accrual status during the year. The Corporation is closely monitoring these relationships and does not anticipate a significant loss.

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 principal and interest. For those loans which are carried on non-accrual status, interest is recognized on the cash basis. $91,000, $37,000, and $8,000 in additional gross interest income would have been recorded if non-accrual loans had been current throughout the period outstanding for 2001, 2000, and 1999, respectively. Interest income received on non-accrual loans was $2,000, $2,000, and $551,000 for the periods ended December 31, 2001, 2000, and 1999, respectively.

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 practical 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 collect 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 ultimate 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. The balances of impaired loans at December 31, 2001 and 2000, was $1,026,000 and $473,000 respectively, with no specific valuation allowance associated with these loans. The average balances of impaired loans for 2001 and 2000 were $513,000 and $357,000, respectively.

Table 7 summarizes non-performing assets for the past five years.

TABLE 7: Non-Performing Asset Activity

(Dollars in thousands)	2001	2000	1999	1998	1997
Non-accrual loans	$1,026	$ 473	$ 49	$463	$497
Real estate owned	--	47	--	--	444
Total non-performing assets	1,026	520	49	463	941
Principal and/or interest past due for 90 days or more	$ 913	$1,586	$786	$958	$768
Non-performing loans to total loans	.41%	.20%	.02%	.27%	.31%
Allowance for loan losses to total loans	1.47	1.55	1.58	1.60	1.42
Allowance for loan losses to non-performing loans	359.06	763.00	6,738.78	596.11	449.30
Non-performing assets to total assets	.25%	.15%	.01%	.14%	.34%

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 an acceptable level of risk.

At the end of 2001, the Corporation had total assets of $404 million, up 16.4% over the previous year-end. In 2000, there was an increase of 5.5% in total assets over year-end 1999. Asset growth in 2001 is attributable to an increase in loans at the Bank and an increase in loans held for sale at the Mortgage Corporation.

TABLE 8: Summary of Total Loans

	Year Ended December 31,				
(Dollars in thousands)	2001	2000	1999	1998	1997
Real estate--mortgage	$ 80,977	$ 86,453	$ 89,952	$ 86,311	$ 88,973
Real estate--construction	8,819	9,099	7,968	5,359	4,454
Commercial, financial, and agricultura/l/	137,374	113,570	89,135	62,885	48,737
Equity lines	11,284	11,616	10,272	8,580	7,131
Consumer	11,342	12,815	12,091	9,543	7,684
Total loans	249,796	233,553	209,418	172,678	156,979
Less allowance for loan losses	(3,684)	(3,609)	(3,302)	(2,760)	(2,234)
Total loans, net	$246,112	$229,944	$206,116	$169,918	$154,745

/1/ Includes loans secured by real estate

TABLE 9: Maturity/Repricing Schedule of Loans

	December 31, 2001	
(Dollars in thousands)	Commercial, financial, and agricultural	Real estate construction
Variable Rate:		
Within 1 year	$49,523	$ --
1 to 5 years	19,846	--
After 5 years	9,657	--
Fixed Rate:		
Within 1 year	8,695	8,819
1 to 5 years	18,540	--
After 5 years	31,113	--

LOAN PORTFOLIO

At December 31, 2001, loans, net of unearned income and reserve for loan losses, totaled $246.1 million, an increase of 7.0% over the 2000 total of $229.9 million. Net loans increased 11.6% and 21.3% in 2000 and 1999, 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, and commercial, including, commercial real estate, represent the major portion of the Corporation's loan portfolio. Tables 8 and 9 present information pertaining to the composition of loans and the maturity/repricing of loans.

TABLE 10: Maturity of Securities

	Year Ended December 31,					
	2001		2000		1999	
(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 after 5 years, but within 10 years	$ --	--%	$ 4,500	7.03%	$ 4,500	7.03%
Maturing after 10 years	--	--	9,000	7.08	9,000	7.08
Total U.S. government agencies and corporations	--	--	13,500	7.07	13,500	7.07
U.S. Treasuries:						
Maturing within 1 year	--	--	1,000	8.01	--	--
Maturing after 1 year, but within 5 years	--	--	--	--	1,000	8.01
Total U.S. Treasuries	--	--	1,000	8.01	1,000	8.01
Mortgage backed securities:						
Maturing after 1 year, but within 5 years	1,948	5.83	--	--	--	--
Total mortgage backed securities	1,948	5.83	--	--	--	--
States and municipals:1						
Maturing within 1 year	1,164	8.55	2,028	10.43	155	9.77
Maturing after 1 year, but within 5 years	4,234	8.20	4,378	8.42	4,190	8.87
Maturing after 5 years, but within 10 years	19,061	7.54	15,871	7.61	14,352	7.97
Maturing after 10 years	20,817	7.22	23,907	7.29	28,496	7.52
Total states and municipals	45,276	7.48	46,184	7.64	47,193	7.66
Total securities:2						
Maturing within 1 year	1,164	8.55	3,028	9.63	155	9.77
Maturing after 1 year, but within 5 years	6,182	7.46	4,378	8.42	5,190	8.71
Maturing after 5 years, but within 10 years	19,061	7.54	20,371	7.48	18,852	7.95
Maturing after 10 years	20,817	7.22	32,907	7.24	37,496	1.36
Total securities	$ 47,224	7.41%	$ 60,684	7.52%	$ 61,693	7.54%

/1/ Yields on tax-exempt securities have been computed on a taxable-equivalent basis.
/2/ Total securities excludes preferred stock at amortized cost of $5,899,358, $5,504,870, and $5,209,736 at December 31, 2001, 2000, and 1999, respectively ($5,468,496, $5,054,587, and $4,738,879 estimated fair value at December 31, 2001, 2000, and 1999, 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 held to maturity 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 2001, total securities were $53.9 million, down 17.90% from $65.7 million at year-end 2000. Mortgage backed securities represented 3.6% of the total securities portfolio, obligations of states and political subdivisions were 86.3%, and preferred stocks were 10.1% at December 31, 2001.

The Company adopted Financial Accounting Standards Board Statement No. 133, Accounting for Derivative Instruments and Hedging Activities, effective January 1, 2001 and, as permitted by the Statement, transferred securities with a book value of $33,770,000 and a market value of $34,836,000 to the available-for-sale category.

Table 10 presents information pertaining to the composition of the securities portfolio.

DEPOSITS

The Corporation's predominant 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 $33.2 million, or 11.4%, in 2001 over 2000. In 2001, the growth by deposit category was a 7.7% increase in non-interest-bearing deposits, an 11.9% increase in savings and interest-bearing demand deposits, and a 12.0% increase in time deposits. In 2000, total deposits increased $29.8 million, or 11.4%, over 1999. Deposit growth in 2001 over 2000 was attributed to growth at existing branch locations and to the opening of two new branches, CCB in Midlothian and the Bank in Sandston, offset by the sale of the Bank's Tappahannock branch during 2001. Table 11 presents the average deposit balances and average rates paid for the years 2001, 2000, and 1999. Table 12 details maturities of certificates of deposit with balances of $100,000 and over at December 31, 2001.

TABLE 11: Average Deposits and Rates Paid

	Year Ended December 31,					
	2001		2000		1999	
(Dollars in thousands)	Average Balance	Average Rate	Average Balance	Average Rate	Average Balance	Average Rate
Non-interest-bearing demand deposits	$ 39,240		$ 31,511		$ 35,697	
Interest-bearing transaction accounts	54,481	1.92%	50,977	2.42%	45,627	2.38%
Money market deposit accounts	26,290	3.05	25,938	3.38	25,207	3.20
Savings accounts	38,921	2.45	38,640	2.98	39,131	2.97
Certificates of deposit, $100M or more	32,421	5.46	22,955	5.52	17,977	4.77
Other certificates of deposit	119,535	5.55	96,004	5.42	89,467	4.94
Total interest-bearing deposits	271,648	4.13%	234,514	4.15%	217,409	3.83%
Total deposits	$310,888		$266,025		$253,106	

TABLE 12: Maturities of Certificates of Deposit with Balances of $100,000 or More

(Dollars in thousands)	December 31, 2001
3 months or less	$ 11,169
3-6 months	9,208
6-12 months	14,870
Over 12 months	3,234
Total	$ 38,481

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, 2001, cash and cash equivalents and securities classified as available for sale were 17.9% of total earning assets, compared to 14.6% at December 31, 2000.

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 from the FHLB.

CAPITAL RESOURCES

The assessment of capital adequacy depends on a number of factors such as asset quality, liquidity, earnings performance, and changing competitive conditions and economic forces. The adequacy of the Corporation's capital is reviewed by management on an ongoing basis. Management seeks to maintain a structure that will assure an adequate level of capital to support anticipated asset growth and to absorb potential losses.

During 2001 the Corporation repurchased 59,981 shares of its common stock in the open market at prices between $14.88 and $18.00 per share. During 2000, the Corporation repurchased 85,000 shares of its common stock, in the open market at prices between $13.69 and $17.00 per share. During March of 1999, the Corporation repurchased 235,000 shares of its common stock in privately negotiated transactions at prices between $19.88 and $20.00 per share and during the second half of 1999, the Corporation repurchased an additional 12,500 shares of its common stock in the open market at prices between $17.00 and $18.00 per share. These repurchases were made to reduce capital since it was high relative to the Corporation's asset size.

The Corporation's capital position continues to exceed regulatory requirements. The primary indicators relied on by bank regulators in measuring the capital position are the Tier I capital, total risk-based capital, and leverage ratios. Tier I capital consists of common and qualifying preferred shareholders' equity less goodwill. Total capital consists of Tier I capital, qualifying subordinated debt, and a portion of the allowance for loan losses. Risk-based capital ratios are calculated with reference to risk-weighted assets. The Corporation's Tier I capital ratio was 13.3% at December 31, 2001, compared to 14.4% at December 31, 2000. The total capital ratio was 14.4% at December 31, 2001 compared to 15.6% at December 31, 2000. These ratios are in excess of the mandated minimum requirements of 4.0% and 8.0%, respectively.

Shareholders' equity was $44.7 million at year-end 2001 compared to $38.8 million at year-end 2000. The leverage ratio consists of Tier I capital divided by average assets. At December 31, 2001, the Corporation's leverage ratio was 10.8%, compared to 10.9% at December 31, 2000, which exceeds the required minimum leverage ratio of 4.0%. The dividend payout ratio was 25.7%, 32.7%, and 26.6%, in 2001, 2000, and 1999, respectively. During 2001, the Corporation paid dividends of $0.58 per share, up 9.4% from $0.53 per share paid in 2000.

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 July 2001, the Financial Accounting Standards Board issued two statements - Statement 141, Business Combinations, and Statement 142, Goodwill and Other Intangible Assets. Statement 141 eliminates the pooling method of accounting for business combinations and requires that intangible assets that meet certain criteria be reported separately from goodwill. The Statement also requires negative goodwill arising from a business combination to be recorded as an extraordinary gain. Statement 142 eliminates the amortization of goodwill and other intangibles that are determined to have an indefinite life. The Statement requires, at a minimum, annual impairment tests for goodwill and other intangible assets that are determined to have an indefinite life.

Upon adoption of these Statements, an organization is required to re-evaluate goodwill and other intangible assets that arose from business combinations entered into before July 1, 2001. If the recorded other intangible assets do not meet the criteria for recognition, they should be classified as goodwill. Similarly, if there are other intangible assets that meet the criteria for recognition but were not separately recorded from goodwill, they should be reclassified from goodwill. An organization also must reassess the useful lives of intangible assets and adjust the remaining amortization periods accordingly. Any negative goodwill must be written-off.

The standards generally are required to be implemented by the Bank in its 2002 financial statements. The adoption of these standards is not expected to have a material impact on the Corporation's financial statements.

In June 2001, the Financial Accounting Standards Board issued Statement 143 Accounting for Asset Retirement Obligations. This Statement addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and associated retirement costs. It requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred and the associated asset retirement costs be capitalized as part of the carrying amount of the long-lived asset. This Statement is not expected to have a material effect on the Corporation's financial statements.

In August 2001, the Financial Accounting Standards Board issued Statement 144, Accounting for the Impairment or Disposal of Long-Lived Assets. The Statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets. It also establishes a single accounting model for long-lived assets to be disposed of by sale, which includes long-lived assets that are part of a discontinued operation. This Statement is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2001. The Statement is not expected to have a material effect on the Corporation's financial statements.

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 constitute "forward-looking statements" as defined by federal securities laws. These statements may address issues that involve estimates and assumptions made by management, risks and uncertainties, and actual results could differ materially from historical results or those anticipated by such statements. Factors that could have a material adverse effect on the operations and future prospects of the company include, but are not limited to, changes in:
interest rates, general economic conditions,

legislative/regulatory changes, monetary and fiscal policies of the U.S. Government, including policies of the U.S. Treasury and the Board of Governors of the Federal Reserve System, the quality or composition of the loan or investment portfolios, demand for loan products, deposit flows, competition, demand for financial services in the Corporation's market area and accounting principles, policies and guidelines. These risks and uncertainties should be considered in evaluating the forward-looking statements, and readers are cautioned not to place undue reliance on such statements, which speak only as of their dates.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

MARKET RISK MANAGEMENT

As the holding company for a commercial bank, the Corporation's primary component 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 Corporation'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 concentrated primarily in the Virginia counties of King William, King and Queen, Hanover, Henrico, Chesterfield, Middlesex, New Kent, Charles City, York, and James City, and is, therefore, subject to risks associated with the local economy. As of December 31, 2001, 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 interest 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 assets and interest-bearing liabilities. The matching of the maturities of assets and liabilities may be analyzed by examining the extent to which assets and liabilities are "interest rate sensitive" and by monitoring an institution'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 defined as the difference between the amount of interest-earning assets anticipated, 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 maturing or repricing within a specific time period exceeds the amount of interest-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 environment, 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 method of rate analysis used to estimate a financial institution's interest rate sensitivity gap. The analysis is based at a given point in time and does not take into consideration that changes in interest 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 environment can cause substantial changes in the level of prepayments of loans, which may also affect the Corporation's interest rate sensitivity gap position.

As part of its borrowings, the Corporation may utilize, from time to time, daily, convertible and adjustable rate advances from the FHLB. Convertible advances generally provide for a fixed rate of interest for a portion of the term of the advance, an ability for the FHLB to convert the advance from a fixed rate to an adjustable rate at some predetermined time during the remaining term of the advance (the "conversion" feature), and a concurrent opportunity for the Corporation to prepay the advance with no prepayment penalty in the event the FHLB elects to exercise the conversion feature. At December 31, 2001, the Bank did not hold convertible advances from the FHLB. Also, the methodology used estimates various rates of withdrawal for money market deposits, savings, and checking accounts, which may vary significantly from actual experience.

TABLE 13: Interest Sensitivity Analysis

The following table sets forth the amounts of interest-earning assets and interest-bearing liabilities outstanding at December 31, 2001, 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 liabilities shown that reprice or mature during a particular period were determined in accordance with the contractual terms of the asset or liability.

	Interest-Sensitive Periods				
(Dollars in thousands)	Within 90 Days	91-365 Days	1-5 Years	Over 5 Years	Total
December 31, 2001					
Earning assets:					
Loans, net of unearned income	$149,019	$ 25,283	$ 78,018	$66,739	$319,059
Securities	2,711	1,945	24,131	25,931	54,718
Federal funds sold and other short-term investments	930	-	-	-	930
Total earning assets	152,660	27,228	102,149	92,670	374,707
Interest-bearing liabilities:					
Interest-bearing transaction accounts	9,002	27,006	24,006	-	60,014
Savings accounts	6,213	18,640	16,569	-	41,422
Money market deposit accounts	4,511	13,533	12,029	-	30,073
Certificates of deposit, $100M or more	11,169	24,078	3,234	-	38,481
Other certificates of deposit	22,802	69,541	22,847	243	115,433
Borrowings	27,204	-	-	-	27,204
Total interest-bearing liabilities	80,901	152,798	78,685	243	$312,627
Period gap	71,759	(125,570)	23,464	92,427	
Cumulative gap	$ 71,759	$ (53,811)	$(30,347)	$62,080	
Ratio of cumulative gap to total earning assets	19.15%	(14.36)%	(8.10)%	16.57%	

The following table provides information about the Corporation's financial instruments that are sensitive to changes in interest rates as of December 31, 2001 and 2000, 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 has been no significant changes in the maturities of interest-earning assets or interest-bearing liabilities as compared to 2000. The increase in loans held for sale maturing within one year is a result of increased 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 increase in loans held for sale. The decrease in the yield on interest earning assets and amount paid on interest-bearing liabilities is a result of the decrease in interest rates throughout 2001.

TABLE 14: Maturity of Interest-Bearing Assets/Liabilities

	Principal Amount Maturing in:							
(Dollars in thousands)	1 Year	2 Years	3 Years	4 Years	5 Years	Thereafter	Total	Fair Value
Interest-Earning Assets:								
Fixed rate loans /1, 2/								
December 31, 2001	$ 28,366	$14,235	$10,870	$ 8,154	$ 7,183	$49,907	$118,715	$124,139
December 31, 2000	23,371	11,329	9,830	8,457	6,740	44,280	104,007	104,356
Average interest rate								
December 31, 2001	8.12%	8.68%	8.43%	8.34%	8.25%	8.27%	8.30%	
December 31, 2000	9.43%	8.89%	8.71%	8.53%	8.38%	8.43%	8.74%	
Variable rate loans /1, 2/								
December 31, 2001	$ 52,599	$16,492	$4,108	$ 4,759	$ 4,054	$50,026	$132,038	$135,612
December 31, 2000	46,426	10,372	5,489	5,039	4,516	58,690	130,532	130,574
Average interest rate								
December 31, 2001	6.78%	6.76%	9.98%	8.12%	7.96%	7.74%	7.32%	
December 31, 2000	10.43%	9.44%	8.90%	8.88%	8.79%	8.34%	9.23%	
Loans held for sale								
December 31, 2001	$ 69,263	$ -	$ -	$ -	$ -	$ -	$ 69,263	$ 70,166
December 31, 2000	17,600	-	-	-	-	-	17,600	17,984
Average interest rate								
December 31, 2001	6.69%	-	-	-	-	-	6.69%	
December 31, 2000	9.26%	-	-	-	-	-	9.26%	
Securities /3, 4/								
December 31, 2001	$ 944	$ 1,504	$ 705	$ 781	$ 1,017	$49,767	$ 54,718	$ 55,548
December 31, 2000	1,385	1,148	1,504	806	1,084	61,856	67,783	68,484
Average interest rate								
December 31, 2001	5.77%	5.85%	6.01%	5.58%	5.25%	5.27%	5.31%	
December 31, 2000	5.43%	4.67%	4.73%	4.72%	4.39%	5.39%	5.34%	
Interest-Bearing Liabilities:								
Money market, savings, and interest-bearing transaction accounts /5/								
December 31, 2001	$ 78,905	$13,151	$13,151	$13,151	$13,151	$ -	$131,509	$132,312
December 31, 2000	70,540	11,757	11,757	11,757	11,756	-	117,567	118,590
Average interest rate								
December 31, 2001	1.79%	1.79%	1.79%	1.79%	1.79%	-	1.79%	
December 31, 2000	2.72%	2.72%	2.72%	2.72%	2.72%	-	2.72%	
Certificates of deposit								
December 31, 2001	$127,590	$17,309	$ 5,488	$ 1,450	$ 1,833	$ 244	$153,914	$156,115
December 31, 2000	117,552	12,186	4,232	1,385	1,387	645	137,387	137,505
Average interest rate								
December 31, 2001	4.40%	4.77%	5.17%	6.20%	5.35%	2.38%	4.49%	
December 31, 2000	6.07%	5.86%	5.83%	5.21%	6.23%	4.36%	6.03%	
Borrowings								
December 31, 2001	$ 22,204	$ 5,000	$ -	$ -	$ -	$ -	$ 27,204	$ 27,190
December 31, 2000	13,969	-	-	-	-	-	13,969	13,969
Average interest rate								
December 31, 2001	1.74%	5.35%	-	-	-	-	2.40%	
December 31, 2000	5.66%	-	-	-	-	-	5.66%	

/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/ Assumes an annual decay rate of 60% for year 1 and 10% for each of the years 2 through 5.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

CONSOLIDATED BALANCE SHEETS

	December 31, 2001	December 31, 2000
Assets		
Cash and due from banks	$ 10,127,368	$ 8,922,524
Interest-bearing deposits in other banks	929,549	5,915,378
Total cash and cash equivalents	11,056,917	14,837,902
Securities--available for sale at fair value, amortized cost of $53,123,058 and $32,418,548, respectively	53,952,938	31,913,344
Securities--held to maturity at amortized cost, fair value of $0 and $34,835,759, respectively	--	33,769,925
Loans held for sale, net	69,263,294	17,600,164
Loans, net of reserve for loan losses of $3,683,658 and $3,608,966, respectively	246,112,369	229,943,715
Federal Home Loan Bank stock	1,595,000	1,595,000
Corporate premises and equipment, net	14,638,441	9,889,649
Accrued interest receivable	2,134,218	2,403,921
Other assets	5,322,797	5,518,052
Total assets	$404,075,974	$347,471,672
Liabilities		
Deposits		
Non-interest-bearing demand deposits	$ 38,489,428	$ 35,734,625
Savings and interest-bearing demand deposits	131,508,973	117,566,594
Time deposits	153,914,100	137,386,817
Total deposits	323,912,501	290,688,036
Borrowings	27,203,667	13,969,173
Accrued interest payable	811,088	992,852
Other liabilities	7,405,695	3,041,161
Total liabilities	359,332,951	308,691,222
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, 3,526,126 and 3,571,039 shares issued and outstanding at December 31, 2001 and 2000, respectively)	3,526,126	3,571,039
Additional paid-in capital	46,871	20,133
Retained earnings	40,622,304	35,522,711
Accumulated other comprehensive income (loss), net of tax of $282,159 and ($171,771), respectively	547,722	(333,433)
Total shareholders' equity	44,743,023	38,780,450
Total liabilities and shareholders' equity	$404,075,974	$347,471,672

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31, 2001	2000	1999
Interest income			
Interest and fees on loans	$24,809,972	$22,244,860	$19,405,445
Interest on money market investments			
Federal funds sold	2,005	--	90,964
Other money market investments	97,846	563,687	366,971
Interest on securities			
U.S. Treasury securities	29,663	80,193	109,112
U.S. government agencies and corporations	439,380	953,900	864,461
Tax-exempt obligations of states and political subdivisions	2,385,946	2,455,762	2,347,868
Corporate bonds and other	469,573	123,077	458,736
Total interest income	28,234,385	26,421,479	23,643,557
Interest expense			
Savings and interest-bearing deposits	2,799,884	3,263,427	3,055,792
Certificates of deposit, $100M or more	1,768,972	1,266,707	856,670
Other time deposits	6,639,327	5,202,728	4,415,594
Short-term borrowings and other	776,209	1,576,537	739,811
Total interest expense	11,984,392	11,309,399	9,067,867
Net interest income	16,249,993	15,112,080	14,575,690
Provision for loan losses	400,000	400,000	600,000
Net interest income after provision for loan losses	15,849,993	14,712,080	13,975,690
Other operating income			
Gain on sale of loans	10,389,684	5,008,850	6,691,998
Service charges on deposit accounts	1,442,253	1,335,679	1,154,373
Other service charges and fees	3,210,921	1,674,937	1,949,714
Gain on calls of available for sale securities	6,000	100,157	138,830
Gain on sale of branch	1,176,279	--	--
Other income	1,195,482	825,439	1,069,541
Total other operating income	17,420,619	8,945,062	11,004,456
Other operating expenses			
Salaries and employee benefits	13,442,765	9,603,442	9,365,548
Occupancy expenses	2,886,245	2,377,608	2,044,013
Goodwill amortization	267,860	275,160	275,160
Other expenses	5,367,223	3,742,170	4,144,829
Total other operating expenses	21,964,093	15,998,380	15,829,550
Income before income taxes	11,306,519	7,658,762	9,150,596
Income tax expense	3,317,802	1,822,731	2,394,366
Net income	$ 7,988,717	$ 5,836,031	$ 6,756,230
Earnings per common share--basic	$ 2.25	$ 1.62	$ 1.83
Earnings per common share--assuming dilution	$ 2.23	$ 1.60	$ 1.81

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Common Stock	Additional Paid-In Capital	Comprehensive Income	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
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
Repurchase of common stock	(85,000)	(114,272)		(1,130,139)	--	(1,329,411)
Stock options exercised	11,583	120,009		--	--	131,592
Comprehensive income						
Net income			$ 5,836,031	5,836,031		5,836,031
Other comprehensive income, net of tax						
Unrealized holding gains arising during the period net of tax of $475,566			923,157		923,157	923,157
Comprehensive income			$ 6,759,188			
Cash dividends ($.53 per share)	--	--		(1,910,629)	--	(1,910,629)
Balance December 31, 2000	3,571,039	20,133		35,522,711	(333,433)	38,780,450
Repurchase of common stock	(59,981)	(121,308)		(833,031)	--	(1,014,320)
Stock options exercised	15,068	148,046		--	--	163,114
Comprehensive income						
Net income			$ 7,988,717	7,988,717		7,988,717
Other comprehensive income, net of tax						
Unrealized holding gains arising during the period net of tax of $453,928			881,155		881,155	881,155
Comprehensive income			$ 8,869,872			
Cash dividends ($.58 per share)	--	--		(2,056,093)	--	(2,056,093)
Balance December 31, 2001	$3,526,126	$ 46,871		$40,622,304	$ 547,722	$44,743,023

Disclosure of reclassification amount for the year ended December 31:

	2001	2000	1999
Unrealized net holding gains (losses) arising during period	$885,115	$989,272	$(1,730,156)
Less: reclassification adjustment for gains included in net income	3,960	66,115	91,628
Net unrealized gains (losses) on securities	$881,155	$923,157	$(1,821,784)

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2001	2000	1999
Operating Activities:			
Net income	$ 7,988,717	$ 5,836,031	$ 6,756,230
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation	1,336,192	1,018,342	928,314
Amortization of goodwill	267,860	275,160	275,160
Deferred income taxes	(37,024)	(154,178)	(123,139)
Provision for loan losses	400,000	400,000	600,000
Accretion of discounts and amortization of premiums on securities, net	(49,035)	(45,047)	(69,467)
Net realized gain on securities	(6,000)	(100,157)	(138,830)
Origination of loans held for sale	(627,303,955)	(294,483,773)	(456,926,073)
Sale of loans	575,640,825	301,770,123	499,032,881
Gain on sale of branch	(1,176,279)	--	--
Change in other assets and liabilities:			
Accrued interest receivable	269,703	(267,828)	237,690
Other assets	(489,510)	(485,864)	(881,041)
Accrued interest payable	(181,764)	426,386	(31,680)
Other liabilities	4,364,534	384,756	(4,353,878)
Net cash (used in) provided by operating activities	(38,975,736)	14,573,951	45,306,167
Investing Activities:			
Proceeds from maturities of securities held to maturity	--	1,060,000	3,628,850
Proceeds from maturities and calls of securities available for sale	17,297,400	906,576	10,806,084
Purchase of securities available for sale	(4,176,950)	(1,107,101)	(21,287,142)
Redemption (purchase) of FHLB stock	--	(10,000)	121,200
Net increase in customer loans	(19,233,654)	(24,227,819)	(36,797,468)
Purchase of corporate premises and equipment	(6,426,178)	(2,503,902)	(2,867,029)
Sale of branch	(10,857,527)	--	--
Net cash used in investing activities	(23,396,909)	(25,882,246)	(46,395,505)
Financing Activities:			
Net increase (decrease) in demand, interest-bearing demand and savings deposits	23,615,182	(3,171,413)	13,933,670
Net increase (decrease) in time deposits	24,649,283	33,005,814	(4,753,194)
Net increase (decrease) in other borrowings	13,234,494	(16,066,120)	5,374,215
Repurchase of common stock	(1,014,320)	(1,329,411)	(4,909,024)
Proceeds from exercise of stock options	163,114	131,592	253,887
Cash dividends	(2,056,093)	(1,910,629)	(1,797,092)
Net cash provided by financing activities	58,591,660	10,659,833	8,102,462
Net (decrease) increase in cash and cash equivalents	(3,780,985)	(648,462)	7,013,124
Cash and cash equivalents at beginning of year	14,837,902	15,486,364	8,473,240
Cash and cash equivalents at end of year	$ 11,056,917	$ 14,837,902	$ 15,486,364
Supplemental disclosure			
Interest paid	$ 12,166,156	$ 10,883,013	$ 9,099,547
Income taxes paid	$ 2,805,205	$ 1,735,591	$ 2,743,114

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: Summary of Significant Accounting Policies

The accounting and reporting policies of C&F Financial Corporation and subsidiary (the "Corporation") conform to accounting principles generally accepted in the United States of America and to predominant practices within the banking industry.

Nature of Operations: C&F Financial Corporation is a bank holding company incorporated 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 businesses.

The Bank has four wholly owned subsidiaries, C&F Title Agency, Inc., C&F Investment Services, Inc., C&F Mortgage Corporation, and C&F Insurance Services, Inc., all incorporated under the laws of the Commonwealth of Virginia. C&F Title Agency, Inc., organized in October 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. C&F Insurance Services, organized in July 1999, owns an equity interest in an insurance agency which sells insurance products to customers of the bank, C&F Mortgage Corporation and other financial institutions which have an equity interest in the agency.

Principles of Consolidation: The accompanying consolidated financial statements 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 accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Interest-bearing Deposits in Banks: Interest-bearing deposits in banks mature within one year and are carried at cost.

Securities: Investments in debt and equity securities with readily determinable 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 security in accordance with Statement of Financial Accounting Standards 115.

Loans: Loans are stated at face value, net of unearned discount and the allowance for loan losses. Unearned discount on certain installment loans is recognized 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 principal 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 practical 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 collect 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 ultimate 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 receipts 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.

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 estimated costs to sell the asset is more than its carrying amount, the valuation allowance is reduced, but not below zero. Increases or decreases in the valuation allowance are charged or credited to income.

Corporate Premises and Equipment: Corporate premises and equipment are carried at cost less accumulated depreciation computed using a straight-line method 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 retirement of depreciable properties, the cost and related accumulated depreciation 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 financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for differences between the financial statement 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 applicable to the periods in which the differences are expected to affect taxable income. 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.

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 existing loans which may become uncollectible. Management's judgment in determining 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 conditions 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.

Comprehensive Income: Accounting principles generally require that recognized revenue, expenses, gains, and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available for sale securities, are reported as a separate component of the equity section of the balance sheet, such items, along with net income, are components of comprehensive income.

Earnings Per Common Share: Basic earnings per share represents income available to common shareholders divided by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflects additional common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance. Potential common shares that may be issued by the Corporation relate solely to outstanding stock options, and are determined using the treasury stock method.

Shareholders' Equity: During 2001 the Corporation repurchased 59,981 shares of its common stock in the open market at prices between $14.88 and $18.00 per share. During 2000, the Corporation repurchased 85,000 shares of its common stock in the open market at prices between $13.69 and $17.00 per share. During March 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 an additional 12,500 shares of its common stock in the open market at prices between $17.00 and $18.00 per share.

Statement of Cash Flows: For the purpose of the statement of cash flows, the Corporation considers cash equivalents to include amounts due from banks, federal 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.

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

NOTE 2: Securities

Debt and equity securities are summarized as follows:

	December 31, 2001			
Available for Sale	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Mortgage-backed securities	$ 1,947,440	$ --	$ (23,064)	$ 1,924,376
Obligations of states and political subdivisions	45,276,293	1,384,319	(100,546)	46,560,066
Preferred stock	5,899,325	86,840	(517,669)	5,468,496
	$53,123,058	$1,471,159	$ (641,279)	$53,952,938

	December 31, 2000			
Available for Sale	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. government agencies and corporations	$13,500,000	$ --	$ (201,649)	$13,298,351
Obligations of states and political subdivisions	13,413,678	219,405	(52,677)	13,580,406
Preferred stock	5,504,870	7,313	(477,596)	5,034,587
	$32,418,548	$ 226,718	$ (731,922)	$31,913,344
Held to Maturity				
U.S. Treasury securities	$ 999,950	$ 8,179	$ --	$ 1,008,129
Obligations of states and political subdivisions	32,769,975	1,059,569	(1,914)	33,827,630
	$33,769,925	$1,067,748	$ (1,914)	$34,835,759

The amortized cost and estimated fair value of securities at December 31, 2001, 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.

Available for Sale	December 31, 2001 Amortized Cost	Estimated Fair Value
Due in one year or less	$1,163,403	$1,180,146
Due after one year through five years	6,181,857	6,318,720
Due after five years through ten years	19,061,079	19,838,185
Due after ten years	20,817,394	21,147,391
Preferred Stock	5,899,325	5,468,496
	$53,123,058	$53,952,938

Proceeds from the maturities and the calls of securities available for sale in 2001 were $17,297,400, resulting in gross realized gains of $6,000. The amortized cost and estimated fair value of securities pledged to secure public deposits amounted to $11,484,000 and $11,938,000, respectively, at December 31, 2001.

Proceeds from the maturities and calls of securities held to maturity in 2000 were $1,060,000. There were no realized gains or losses. Proceeds from the maturities and the calls of securities available for sale were $906,576, resulting in gross realized gains of $100,157.

Proceeds from maturities and the calls of securities held to maturity in 1999 were $3,628,850. There were no realized gains or losses. Proceeds from maturities and the calls of securities available for sale were $10,806,084, resulting in gross realized gains of $138,830.

The Company adopted Financial Accounting Standards Board Statement No. 133, Accounting for Derivative Instruments and Hedging Activities, effective January 1, 2001 and, as permitted by the Statement, transferred securities with a book value of $33,770,000 and a market value of $34,836,000 to the available-for-sale category.

NOTE 3: Loans

Major classifications of loans are summarized as follows:

	December 31, 2001	2000
Real estate--mortgage	$ 81,924,063	$ 87,428,166
Real estate--construction	8,829,850	9,109,165
Commercial, financial, and agricultural	137,374,333	113,570,467
Equity lines	11,283,617	11,616,307
Consumer	11,341,663	12,815,274
	250,753,526	234,539,379
Less unearned loan fees	(957,499)	(986,698)
	249,796,027	233,552,681
Less reserve for loan losses	(3,683,658)	(3,608,966)
	$246,112,369	$229,943,715

Loans on non-accrual status were $1,026,000 and $473,000 at December 31, 2001 and 2000, respectively. If interest income had been recognized on non-performing loans at their stated rates during fiscal years 2001, 2000, and 1999, interest income would have increased by approximately $91,000, $37,000, and $8,000, respectively. The balance of impaired loans at December 31, 2001 and 2000, was $1,026,000 and $473,000 respectively, with no specific valuation allowance associated with these loans. The average balance of impaired loans for 2001 and 2000 were $513,000 and $357,000, respectively.

NOTE 4: Reserve for Loan Losses

Changes in the reserve for loan losses were as follows:

	Year Ended December 31,		
	2001	2000	1999
Balance at the beginning of year	$3,608,966	$3,301,778	$2,760,263
Provision charged to operations	400,000	400,000	600,000
Loans charged off	(349,784)	(101,733)	(86,220)
Recoveries of loans previously charged off	24,476	8,921	27,735
Balance at the end of year	$3,683,658	$3,608,966	$3,301,778

NOTE 5: Corporate Premises and Equipment

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

	December 31,	
	2001	2000
Land	$ 3,523,577	$ 2,308,838
Buildings	10,108,440	7,018,997
Equipment, furniture, and fixtures	10,962,859	9,459,348
	24,594,876	18,787,183
Less accumulated depreciation	(9,956,435)	(8,897,534)
	$14,638,441	$ 9,889,649

NOTE 6: Time Deposits

Time deposits are summarized as follows:

	December 31,	
	2001	2000
Certificates of deposit, $100M or more	$ 38,481,546	$ 27,018,509
Other time deposits	115,432,554	110,368,308
	$153,914,100	$137,386,817

Remaining maturities on time deposits are as follows:

	Year ending December 31,
2002	$127,590,499
2003	17,309,102
2004	5,488,385
2005	1,450,373
2006	2,075,741
	$153,914,100

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 FHLB, which are secured by a blanket floating lien on all real estate mortgage loans secured by one-to-four family residential properties. The balance outstanding on loans subject to the FHLB lien was $81,924,000 on December 31, 2001.

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

	December 31,	
	2001	2000
Balance outstanding at year end	$22,203,667	$ 8,969,173
Maximum balance at any month-end during the year	$25,666,748	$28,103,898
Average balance for the year	14,628,473	$22,676,362
Weighted average rate for the year	4.26%	6.12%
Weighted average rate on borrowings at year-end	1.86%	5.45%
Estimated fair value	$22,203,522	$ 8,969,173

The Corporation has unused lines of credit for borrowings totaling approximately $89,305,000 at December 31, 2001.

Long-term borrowings consist of adjustable-rate advances from the FHLB. At December 31, 2001, adjustable-rate advances totaled $5,000,000 with an interest rate of 5.45% and a maturity date of May 19, 2003. At December 31, 2000, adjustable-rate advances totaled $5,000,000 with an interest rate of 6.55% and a maturity date of May 19, 2003. 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.

	December 31,		
	2001	2000	1999
Weighted average number of common shares used in earnings per common share--basic	3,547,873	3,608,673	3,684,796
Effect of dilutive securities:			
Stock options	39,434	31,641	53,438
Weighted average number of common shares used in earnings per common share--assuming dilution	3,587,307	3,640,314	3,738,234

Options on approximately 89,000, 175,000 and 15,000 shares were not included in computing earnings per common share--assuming dilution for the years ended December 31, 2001, 2000, and 1999, respectively, because their effects were antidilutive.

NOTE 9: Income Taxes

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

	Year Ended December 31,		
	2001	2000	1999
Current taxes	$3,354,826	$1,976,909	$2,517,505
Deferred taxes	(37,024)	(154,178)	(123,139)
	$3,317,802	$1,822,731	$2,394,366

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,					
	2001	Percent of Pre-tax Income	2000	Percent of Pre-tax Income	1999	Percent of Pre-tax Income
Income tax computed at federal statutory rates	$3,844,216	34.0%	$2,603,979	34.0%	$3,111,203	34.0%
Tax effect of exclusion of interest income on obligations of states and political subdivisions	(850,319)	(7.5)	(879,995)	(11.5)	(833,784)	(9.1)
Reduction of interest expense incurred to carry tax-exempt assets	105,654	.9	116,418	1.5	94,336	1.0
State income taxes, net of federal tax benefit	203,782	1.8	59,348	.8	128,383	1.4
Tax effect of dividends-received deduction on preferred stock	(82,712)	(.7)	(83,036)	(1.1)	(79,695)	(.9)
Other	97,181	.8	6,017	.1	(26,077)	(.3)
	$3,317,802	29.3%	$1,822,731	23.8%	$2,394,366	26.1%

Other assets include deferred income taxes of $1,343,638 and $1,760,544 at December 31, 2001 and 2000, respectively. The tax effects of each type of significant item that gave rise to deferred taxes are:

	Year Ended December 31,	
	2001	2000
Deferred tax asset		
Allowance for loan losses	$1,136,137	$1,097,141
Deferred compensation	348,194	244,953
Net unrealized loss on securities available for sale	--	171,771
Interest on non-accrual loans	30,869	12,631
Accrued pension	--	46,697
Intangible asset	73,321	177,248
Other	54,718	46,877
Deferred tax asset	1,643,239	1,797,318
Deferred tax liability		
Depreciation	(17,442)	(36,774)
Net unrealized gain on securities available for sale	(282,159)	--
Deferred tax liability	(299,601)	(36,774)
Net deferred tax asset	$1,343,638	$1,760,544

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 $385,805, $347,552, and $293,584, in 2001, 2000, and 1999, respectively.

The Mortgage Corporation maintains a Defined Contribution 401(k) Savings Plan which authorizes a maximum voluntary salary deferral of up to 15% of compensation, subject to statutory limitations. All full-time employees who have attained 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% after 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 expense under the Plan was $279,500, $53,000, and $160,000, for 2001, 2000, and 1999, respectively.

The Bank adopted a Management Incentive Bonus Plan (the "Bonus Plan") effective January 1, 1987. The Bonus Plan is offered to selected members of management. 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 deposits, (2) return on average assets, and (3) absolute level of net income. Attainment, 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 performance and is paid in cash. Expense is accrued in the fiscal year of the specified bonus performance. Expenses under this plan were $242,500, $204,300, and $173,200, in 2001, 2000, and 1999, respectively.

The Bank has a non-qualified defined contribution plan for certain executives. The plan allows for elective salary and bonus deferrals. The plan also allows for employer contributions to make up for arbitrary limitations on covered compensation imposed by the Internal Revenue Code with respect to the Bank's Profit Sharing/401(k) Plans and to enhance retirement benefits by providing supplemental contributions from time to time. Expenses under this plan were $32,350 and $25,200 in 2001 and 2000, respectively. There were no expenses under the plan for 1999.

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 consecutive 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, 2001	2000
Change in Benefit Obligation		
Benefit obligation, beginning	$2,017,537	$1,741,750
Service cost	227,178	178,489
Interest cost	151,185	130,501
Actuarial (gain)/loss	(39,910)	80,457
Benefits paid	(3,248)	(113,660)
Benefit obligation, ending	$2,352,742	$2,017,537
Change in Plan Assets		
Fair value of plan assets, beginning	$2,212,205	$1,862,559
Actual return on plan assets	(312,236)	285,634
Employer contributions	324,525	177,672
Benefits paid	(3,248)	(113,660)
Fair value of plan assets, ending	$2,221,246	$2,212,205
Funded status	$ 131,496)	$ 194,668
Unrecognized net actual gain	160,991	(309,717)
Unrecognized net obligation at transition	(54,134)	(59,547)
Unrecognized prior service cost	34,151	37,255
Prepaid (accrued) benefit cost	$ 9,512	$ (137,341)

	Year Ended December 31,		
	2001	2000	1999
Components of Net Periodic Benefit Cost			
Service cost	$ 227,178	$ 178,489	$ 161,535
Interest cost	151,185	130,501	118,101
Expected return on plan assets	(193,322)	(149,027)	(115,003)
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	(5,060)	(3,970)	(4)
Net periodic benefit cost	$ 177,672	$ 153,684	$ 162,320
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 $1,040,000 and $812,000 at December 31, 2001 and 2000, respectively. New advances to directors and officers totaled $527,000 and repayments totaled $299,000 in the year ended December 31, 2001.

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 issued to employees at a price equal to the fair market value of common stock at the date granted. For options granted prior to December 21, 1999, one-third of the options granted are 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 or after 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 and 300,000 shares were authorized for the Plan in 1994 and 2000, respectively. 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 may be 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 issued 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 options expire ten years from the grant date.

The Corporation applies APB Opinion 25 and related interpretations in accounting 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, earnings per share-basic and earnings per share-assuming dilution would have been

$7,745,779, $2.18 and $2.16, $5,627,587, $1.56 and $1.55, and, $6,625,664, $1.80 and $1.77, respectively for the years ended December 31, 2001, 2000 and 1999, respectively.

The fair value of each option granted during the years ended December 31, 2001, 2000, and 1999, was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions for 2001, 2000, and 1999, respectively: risk-free rate of 5.3, 5.2, and 6.7% and volatility of 35, 30, and 25%. The dividend yield used in the pricing model was 3.5, 3.5, and 2.8% for 2001, 2000, and 1999, respectively. The expected life used was eight years for 2001, 2000, and 1999.

Transactions under the various plans for the periods indicated were as follows:

	2001		2000		1999	
	Shares	Exercise Price*	Shares	Exercise Price*	Shares	Exercise Price*
Outstanding at beginning of year	262,429	$ 14.93	208,444	$ 14.37	169,860	$ 12.36
Granted	71,650	18.55	69,800	15.80	68,350	17.64
Exercised	(15,068)	9.71	(11,583)	9.62	(25,068)	9.44
Canceled	(7,700)	17.12	(4,232)	16.22	(4,698)	15.27
Outstanding at end of year	311,311	$ 15.97	262,429	$14.93	208,444	$ 14.37

*Weighted average

	2001	2000	1999
Options exercisable at year-end	139,051	122,730	108,761
Weighted-average fair value of options granted during the year	$ 5.95	$ 4.57	$ 5.40

The following table summarizes information about stock options outstanding at December 31, 2001:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding at December 31, 2001	Remaining Contractual Life	Exercise Price*	Number Exercisable at December 31, 2001	Exercise Price*
$8.87 to $12.50	72,378	4.48	$ 10.62	72,378	$10.62
$15.75 to $20.50	238,933	8.72	17.59	66,673	18.34
$8.87 to $20.50	311,311	7.74	$ 15.97	139,051	$14.32

*Weighted average

NOTE 13: Regulatory Requirements and Restrictions

The Corporation and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory--and possibly additional discretionary--actions by regulators that, if undertaken, could have a direct material effect on the Corporation's and the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Corporation and the Bank must meet specific capital guidelines that involve quantitative measures of the Corporation's and the Bank's assets, liabilities, and certain off-balance-sheet items as calculated 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 corrective action provisions are not applicable to bank holding companies.

Quantitative measures established by regulation to ensure capital adequacy require 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 regulations) to risk-weighted assets (as defined), and of Tier I capital (as defined) 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 $325,379,000 and $317,199,000 at December 31, 2001 and $264,375,000 and $256,559,000 at December 31, 2000. Management believes, as of December 31, 2001, that the Corporation and the Bank meet all capital adequacy requirements to which they are subject.

As of December 31, 2001, the most recent notification from the Federal Deposit Insurance Corporation (FDIC) categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum 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 notification that management believes have changed the Bank's category.

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

	Actual		Minimum Capital Requirements		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions	
(Dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2001:						
Total Capital (to Risk-Weighted Assets)						
Corporation	$46,793	14.4%	$26,030	8.0%	N/A	N/A
Bank	38,999	12.3	25,376	8.0	$31,720	10.0%
Tier I Capital (to Risk-Weighted Assets)						
Corporation	43,110	13.3	13,015	4.0	N/A	N/A
Bank	35,346	11.1	12,688	4.0	19,032	6.0
Tier I Capital (to Average Assets)						
Corporation	43,110	10.8	16,027	4.0	N/A	N/A
Bank	35,346	9.0	15,716	4.0	19,645	5.0
As of December 31, 2000:						
Total Capital (to Risk-Weighted Assets)						
Corporation	$41,331	15.6%	$21,174	8.0%	N/A	N/A
Bank	33,764	13.2	20,554	8.0	$25,693	10.0%
Tier I Capital (to Risk-Weighted Assets)						
Corporation	38,023	14.4	10,587	4.0	N/A	N/A
Bank	30,552	11.9	10,227	4.0	15,416	6.0
Tier I Capital (to Average Assets)						
Corporation	38,023	10.9	13,874	4.0	N/A	N/A
Bank	30,552	9.0	13,582	4.0	16,978	5.0

Transfers of funds from the Bank to the Corporation in the form of loans, advances and cash dividends are restricted by federal and state regulatory authorities. As of December 31, 2001, the aggregate amount of unrestricted funds which could be transferred from the Bank to the Corporation, without prior regulatory approval, totaled $5,200,000 or 1.3% of the total consolidated net assets.

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 customers. These financial instruments include commitments to extend credit, commitments to sell loans, and standby letters of credit. These instruments involve elements of credit and interest rate risk in excess of the amount on the balance sheet. The contract amounts of these instruments reflect the extent of involvement the Bank has in particular classes of financial instruments.

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 obtained based on management's credit assessment of the customer.

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. Commitments 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 necessarily represent future cash requirements. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The total amount of loan commitments was $70,374,000 and $54,428,000 at December 31, 2001 and 2000, respectively.

Standby letters of credit are written conditional commitments issued by the Bank to guarantee 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 extending loans to customers. The total contract amount of standby letters of credit, whose contract amounts represent credit risk, was $3,943,000 and $5,016,000 at December 31, 2001 and 2000, respectively.

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 periods 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 less, or have private mortgage insurance, or are insured or guaranteed by an agency of the U.S. Government.

At December 31, 2001, the Mortgage Corporation had locked-rate commitments to originate mortgage loans amounting to approximately $25,000,000. The Mortgage Corporation has entered into mandatory commitments, on a best-effort basis, to sell loans of approximately $94,263,000. Risks arise from the possible inability of counterparties to meet the terms of their contracts. The Mortgage Corporation does not expect any counterparty to fail to meet its obligations.

The Mortgage Corporation is committed under noncancelable operating leases for certain office locations. Rent expense associated with these operating leases was $580,000, $411,000, and $330,000, for the years ended December 31, 2001, 2000, and 1999, respectively.

Future minimum lease payments under these leases are as follows:

Year Ending December 31,	
2002	$418,077
2003	222,306
2004	20,202
	$660,585

As of December 31, 2001, the Corporation had $6,836,331 in deposits in financial institutions in excess of amounts insured by the FDIC.

NOTE 15: Fair Market Value of Financial Instruments and Interest Rate Risk

The estimated fair value amounts have been determined by the Corporation using available market information and appropriate valuation methodologies. Loan commitments are conditional and subject 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 otherwise 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 estimation 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.

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

Loans. The estimated fair value of the loan portfolio is based on present values using applicable spreads to the U.S. treasury yield 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 deposit 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.

	December 31,			
	2001		2000	
(Dollars in thousands)	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets:				
Cash and short-term investments	$ 11,057	$ 11,057	$ 14,838	$ 14,838
Securities	53,952	53,952	66,594	67,336
Net loans	246,112	255,110	229,944	230,334
Loans held for sale, net	69,263	70,166	17,600	17,984
Accrued interest receivable	2,134	2,134	2,404	2,404
Financial liabilities:				
Demand deposits	169,998	170,802	153,301	154,325
Time deposits	153,914	156,115	137,387	137,505
Borrowings	27,204	27,190	13,969	13,969
Accrued interest payable	811	811	993	993
Off-balance-sheet items:				
Letters of credit	--	3,943	--	5,016
Unused portions of lines of credit	--	70,374	--	54,428

The Corporation assumes interest rate risk (the risk that general interest rate levels will change) as a result of its normal operations. As a result, the fair values of the Corporation's financial instruments will change when interest rate levels change and that change may be either favorable or unfavorable to the Corporation. Management attempts to match maturities of assets and liabilities to the extent believed necessary to manage interest rate risk. However, borrowers with fixed rate obligations are less likely to prepay in a rising rate environment and more likely to prepay in a falling rate environment. Conversely, depositors who are receiving fixed rates are more likely to withdraw funds before maturity in a rising rate environment and less likely to do so in a falling rate environment. Management monitors rates and maturities of assets and liabilities and attempts to minimize interest rate risk by adjusting terms of new loans and deposits and by investing in securities with terms that mitigate the Corporation's overall interest rate risk.

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 securities. 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, an insurance company and a title company subsidiary which derive revenues from brokerage, insurance and title insurance services. The results of these subsidiaries' are not significant to the Corporation as a whole and have been included in "Other." The following table presents segment information for the years ended December 31, 2001, 2000, and 1999.

	Year Ended December 31, 2001				
(Dollars in thousands)	Retail Banking	Mortgage Banking	Other	Eliminations	Consolidated
Revenues:					
Interest income	$ 26,848	$ 2,931	$ --	$ (1,545)	$ 28,234
Gain on sale of loans	--	10,390	--	--	10,390
Other	3,340	2,690	1,001	--	7,031
Total operating income	30,188	16,011	1,001	(1,545)	45,655
Expenses:					
Interest expense	11,984	1,545	--	(1,545)	11,984
Salaries and employee benefits	6,372	6,681	390	--	13,443
Other	5,465	3,296	160	--	8,921
Total operating expenses	23,821	11,522	550	(1,545)	34,348
Income before income taxes	$ 6,367	$ 4,489	$ 451	$ --	$ 11,307
Total assets	$389,426	$74,701	$ 52	$(60,103)	$404,076
Capital expenditures	$ 6,121	$ 304	$ --	$ --	$ 6,426

	Year Ended December 31, 2000				
(Dollars in Thousands)	Retail Banking	Mortgage Banking	Other	Eliminations	Consolidated
Revenues:					
Interest income	$ 25,974	$ 1,298	$ --	$ (851)	$ 26,421
Gain on sale of loans	--	5,009	--	--	5,009
Other	2,036	1,183	717	--	3,936
Total operating income	28,010	7,490	717	(851)	35,366
Expenses:					
Interest expense	11,309	851	--	(851)	11,309
Salaries and employee benefits	5,829	3,368	406	--	9,603
Other	4,387	2,283	125	--	6,795
Total operating expenses	21,525	6,502	531	(851)	27,707
Income before income taxes	$ 6,485	$ 988	$ 186	$ --	$ 7,659
Total assets	$339,877	$23,946	$ 9	$(16,360)	$347,472
Capital expenditures	$ 2,361	$ 145	$ --	$ --	$ 2,506

(Dollars in Thousands)	Retail Banking	Mortgage Banking	Other	Eliminations	Consolidated
	Year Ended December 31, 1999				
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

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.

NOTE 17: Parent Company Condensed Financial Information

Financial information for the parent company is as follows:

Balance Sheets	December 31, 2001	2000
Assets		
Cash	$ 92,211	$ 62,073
Securities available for sale	5,468,496	5,034,587
Other assets	2,682,061	2,209,188
Investments in subsidiary	36,695,062	31,620,321
Total assets	$44,937,830	$38,926,169
Liabilities and shareholders' equity		
Other liabilities	$ 194,807	$ 145,719
Shareholders' equity	44,743,023	38,780,450
Total liabilities and shareholders' equity	$44,937,830	$38,926,169

Statements of Income	Year Ended December 31, 2001	2000	1999
Interest income on securities	$ 347,529	$ 354,357	$ 339,886
Interest income on loans	162,796	184,000	102,627
Dividends received from bank subsidiary	3,408,649	2,940,632	7,859,692
Distributions in excess of equity in net income of subsidiary	--	--	(1,479,099)
Equity in undistributed net income of subsidiary	4,219,625	2,459,459	--
Other income	5,124	94,630	151,153
Other expenses	(155,006)	(197,047)	(218,029)
Net income	$7,988,717	$5,836,031	$ 6,756,230

Statements of Cash Flows	Year Ended December 31, 2001	2000	1999
Operating activities:			
Net income	$7,988,717	$ 5,836,031	$ 6,756,230
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
Equity in undistributed earnings of subsidiary	(4,219,625)	(2,459,459)	--
Increase in other assets	(486,288)	(237,372)	(1,368,443)
Increase in other liabilities	49,088	80,369	219,672
Net cash provided by operating activities	3,331,892	3,219,569	7,086,558
Investing activities:			
Proceeds from maturities and calls of securities	50,000	811,945	667,249
Purchase of securities	(444,455)	(1,107,101)	(1,107,292)
Net cash used in investing activities	(394,455)	(295,156)	(440,043)
Financing activities:			
Repurchase of common stock	(1,014,320)	(1,329,411)	(4,909,024)
Dividends paid	(2,056,093)	(1,910,629)	(1,797,092)
Proceeds from the issuance of stock	163,114	131,592	253,887
Net cash used in financing activities	(2,907,299)	(3,108,448)	(6,452,229)
Net increase (decrease) in cash and cash equivalents	30,138	(184,035)	194,286
Cash at beginning of year	62,073	246,108	51,822
Cash at end of year	$ 92,211	$ 62,073	$ 246,108

NOTE 18: Quarterly Condensed Statements of Income--Unaudited

Dollars in thousands (except per share)	2001 Quarter Ended March 31	June 30	September 30	December 31
Total interest income	$ 6,915	$ 7,222	$ 7,095	$ 7,002
Net interest income after provision for loan losses	3,667	3,924	4,014	4,245
Other income	2,958	3,882	4,436	6,145
Other expenses	4,626	5,196	5,460	6,682
Income before income taxes	1,999	2,610	2,990	3,708
Net income	1,497	1,866	2,090	2,536
Earnings per common share--assuming dilution	$ .42	$ .52	$ .58	$ .71
Dividends per common share	.14	.14	.15	.15

Dollars in thousands (except per share)	2000 Quarter Ended March 31	June 30	September 30	December 31
Total interest income	$ 6,147	$ 6,461	$ 6,830	$ 6,983
Net interest income after provision for loan losses	3,619	3,662	3,754	3,677
Other income	2,068	2,306	2,407	2,164
Other expenses	3,922	4,149	4,014	3,913
Income before income taxes	1,765	1,819	2,147	1,927
Net income	1,369	1,398	1,615	1,454
Earnings per common share--assuming dilution	$ .37	$ .38	$ .45	$ .40
Dividends per common share	.13	.13	.13	.14

[LOGO YHB]

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, 2001 and 2000, and the related consolidated statements of income, shareholders' equity, and cash flows for the years ended December 31, 2001, 2000 and 1999. 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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the 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, 2001 and 2000, and the results of their operations and their cash flows for the years ended December 31, 2001, 2000 and 1999, in conformity with accounting principles generally accepted in the United States of America.

Yount, Hyde & Barbour, P.C.

January 15, 2002
Winchester, Virginia

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 2002 Proxy Statement, which is attached hereto as Exhibit 99, under the caption, "Election of Directors," is incorporated herein by reference. The information required by Section 16(a) reporting requirements with respect to Directors and Executive Officers is contained on page 13 of the 2002 Proxy Statement, which is attached hereto as Exhibit 99, under the caption, "Section 16(a) Beneficial Ownership Reporting Compliance," 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 February 26, 2002
Larry G. Dillon (49) Chairman, President and Chief Executive Officer	President of the Bank since 1989	46,202 (1)
Gari B. Sullivan (64) Secretary	Senior Vice President of the Bank since 1990	3,237 (1)
Thomas F. Cherry (33) 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	5,700 (1)

(1) Includes exercisable options of 17,700, 1,500, and 5,500 held by Messrs. Dillon, Sullivan, and Cherry, respectively.

ITEM 11. EXECUTIVE COMPENSATION

The information contained on pages 5 through 7 of the 2002 Proxy Statement, which is attached hereto as Exhibit 99, under the caption, "Executive Compensation," is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information contained on page 2 of the 2002 Proxy Statement, which is attached hereto as Exhibit 99, under the caption, "Security Ownership of Certain Beneficial Owners and Management," is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information contained on page 5 of the 2002 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

- 10.1 Employment agreement dated December 16, 1997 between C&F Financial Corporation and Larry Dillon filed as Exhibit No. 10 to Form 10K filed March 23, 1998, of C&F Financial Corporation is incorporated herein by reference.
- 10.2 Employment agreement dated August 1, 1999 between C&F Financial Corporation and Tom Cherry filed as Exhibit No. 10 to Form 10K filed March 28, 2000, of C&F Financial Corporation is incorporated herein by reference.
- 10.3 C&F Executive Deferred Compensation Plan
- 10.4 C&F Financial Corporation 1994 Executive Stock Option Plan filed as Exhibit 4.3 to Form S-8 filed May 1, 2000 is incorporated herein by reference.
- 10.5 C&F Financial Corporation 1998 Non-Employee Director Stock Compensation Plan filed as Exhibit 4.3 to Form S-8 filed September 18, 1998 is incorporated herein by reference.

Exhibit No. 13: C&F Financial Corporation 2001 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. 99: Additional Exhibits

- 99.1 C&F Financial Corporation 2002 Annual Meeting Proxy Statement

14 (b) Reports on Form 8-K filed in the fourth quarter of 2001: 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 14a-3(b).

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

/s/ Larry G. Dillon	/s/ Thomas F. Cherry
Larry G. Dillon Chairman, President and Chief Executive Officer	Thomas F. Cherry Senior Vice President and Chief Financial Officer
Date: March 15, 2002	Date: March 15, 2002

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:

/s/ J. P. Causey Jr. J. P. Causey Jr., Director	Date: March 15, 2002
/s/Barry R. Chernack Barry R. Chernack, Director	Date: March 15, 2002
/s/ Larry G. Dillon Larry G. Dillon, Director	Date: March 15, 2002
/s/ James H. Hudson III James H. Hudson III, Director	Date: March 15, 2002
/s/ Joshua H. Lawson Joshua H. Lawson, Director	Date: March 15, 2002
/s/ William E. O'Connell Jr. William E. O'Connell Jr., Director	Date: March 15, 2002
/s/ Paul C. Robinson Paul C. Robinson, Director	Date: March 15, 2002

VIRGINIA BANKERS ASSOCIATION
MODEL NON-QUALIFIED DEFERRED COMPENSATION PLAN
FOR EXECUTIVES
(July, 1996)

ADOPTION AGREEMENT

If the Employer completing this document has any questions about the adoption of the Plan, the provisions of the Plan, its representative should contact Bette J. Albert, C.L.U. at the Virginia Bankers Association Benefits Corporation, 700 East Main Street, Suite 1411, Post Office Box 462, Richmond, Virginia 23219, telephone number (804) 643-7469 during business hours.

Each Employer named below hereby adopts the Plan through this Adoption Agreement (the "Adoption Agreement"), to be effective as of the date(s) specified below, and elects the following specifications and provides the following information relating thereto:

In completing this Adoption Agreement, if additional space is required insert additional sheets.

Adoption Agreement Contents

---

1. EMPLOYER(S) ADOPTING PLAN NAMED IN PARAGRAPH 1.12 OF THE PLAN.

(a) Name of Employer: C& F Financial Corporation	(b) Employer's telephone Number: (804) 843-2360
(c) Address of Employer: Post Ofice Box 391 West Point, VA 23181	(d) Employer's EIN: 54-1680165 (e) Employer's Tax Year End: 12/31

(f) Name, Address and Identifying Information of Other Participating Employers Adopting the Plan:

Citizens and Farmers Bank
Eighth and Main Streets
West Point, Virginia 23181
Telephone number (804) 843-2360
EIN 54-0169510

C&F Mortgage Corporation
300 Arboretum Place -Suite 245
Richmond, Virginia 23236
Telephone (804) 330-8300
EIN 54-1773964

---

2. GENERAL PLAN INFORMATION.

(a) Name of Plan: VBA Executive's Deferred Compensation Plan for C&F Financial Corporation

(b) Name, Address and EIN of Plan Administrator(s): [If other than Plan Sponsor, appointment must be by resolution]:

3. STATUS OF PLAN AND EFFECTIVE DATE(S).

(a) Effective Date of Plan: The Effective Date of the Plan is January 1, 1998.

(b) Plan Status. The adoption of the Plan through this Adoption Agreement is:

```
[_]  (1)  Initial Establishment.  The initial adoption and establishment
          ---------------------
          of the Plan.

[X]  (2)  Restated Plan.  An amendment and restatement of the Plan (a
          -------------
          Restated Plan).

             (A) Effective Date of this Restatement. The Effective Date of
                 ----------------------------------
                 this Restatement of the Plan is January 1, 200.


             (B) Prior Plan. The Plan was last maintained under document
                 -----------
                 dated, December 31, 1997 and was known as the for C&F
                 Financial Corporation.


             (C) Transitional or Special Provisions: [Enter any
                 ----------------------------------
                 transitional or special provisions relating to any
                 Rollover Account and the Plan as restated]
```

(c) Adoption of Plan by Additional Employers after Effective Date of Plan. The Effective Date(s) of the Plan with respect to Citizens and Farmers Bank is January 1, 1998 and C&F Mortgage Corporation is January 1, 2000.

4. DEFINITIONS.

(a) Compensation Paragraph 1.8	Compensation is used throughout the basic plan document for different purposes. The following specific rules apply. (1) General Definition. The Compensation definition in paragraph 1.8 of the basic plan document is modified as follows: (A) Salary. Salary is more specifically defined to mean: [Consider whether to fix the date for determining Salary. Consider whether to revise to exclude reductions for 401(k) and cafeteria plan contributions. Other revisions may be desired.] (B) Bonus. Bonus is more specifically defined to mean: [Consider naming specific bonus or incentive programs. Indicate excluded programs specifically.] (2) Specific Definitions. When used with respect to each type of contribution under the Plan, Compensation shall include: (A) Employee Deferral Contributions. [_] (i) Salary. [_] (ii) Bonuses. [X] (iii) Salary and Bonuses. (B) Employer Non-Elective Contributions. - See Attachment. [_] (i) Salary. [_] (ii) Bonuses. [X] (iii) Salary and Bonuses - for purposes of the "SERP" Employer Non-Elective Contributions (see Attachment). [X] (iv) Other: for purposes of "Excess Profit Sharing" Employer Non-Elective Contributions (see Attachment), "Compensation" in excess of Compensation Limit. For purposes hereof, the terms "Compensation" and "Compensation Limit" has the same meaning assigned to them in the Virginia Bankers Association Defined Contribution Plan for Citizens and Farmers Bank as amended from time to time (or any successor thereto) (the "401(k) Plan").

(C) Employer Matching Contributions.

[_] (i) Salary.

[_] (ii) Bonuses.

[_] (iii) Salary and Bonuses.

[X] (iv) Other: "Compensation" in excess of "Compensation Limit" (as such terms are defined in the "401(k) Plan").

(b) Eligible Employee Paragraph 1.10	Eligible Employee shall mean only the following:
	[x] (1) Determination by Board - for any and all Employer Contributions. Any individual who is designated as an Eligible Employee by resolution of the [] Plan Sponsor's [x] Employer's Board of Directors (or committee thereof). A copy of the resolution shall be attached to and incorporated by reference into the Plan. See Attachment.
	[x] (2) Determination by CEO - for Employee Deferral Contributions. Any individual who is designated as an Eligible Employee by resolution of the [] Plan Sponsor's [x] Employer's Chief Executive Officer. A copy of the Chief Executive Officer's designation shall be attached to and incorporated by reference into the Plan.
	[] (3) Determined by Classification or Grade - for all Contributions other than SERP Non-Elective Contributions. Any individual who is classified under the Employer's personnel practices and policies as employed in the following grades or classifications: [List executive classification to be included in plan coverage].
	[] (4) Determined by Position or Title. Any individual who is employed in the following

positions with the Employer:

[List the executive positions to be included in plan coverage.]

(c)) Plan Year Paragraph 1.20	In the case of Restated Plan which prior to the Effective Date of this Restatement was maintained on the basis of a Plan Year beginning on a date other than January 1,

the Plan Year shall begin on ,19 and ending on , 19 with the short Plan Year beginning on , 19 and ending on December 31, 19 . Thereafter, the

Plan Year shall be the 12 month period beginning each January 1.

(d)	Valuation Date Paragraph 1.23	The following date selected by the Employer: [X] (1) Quarterly. The last day of each calendar quarter. [ ] (2) Semi-Annually. The last day of June and the last day of December of each Plan Year. [ ] (3) Annually. The last day of each Plan Year.
(e)	Effective Date of Coverage Subparagraph 2.1	The effective date of coverage for an Eligible Employee shall be [Check one]: [X] (1) Quarterly. The first day of calendar quarter following the date the individual became an Eligible Employee. [ ] (2) Semi-Annually. The first day of the Plan Year or the first day of the seventh month of the Plan Year next following the date the individual became an Eligible Employee. [ ] (3) Annually. The first day of the Plan Year following the date the individual became an Eligible Employee.

5. EMPLOYER CONTRIBUTIONS AND ALLOCATIONS

(a)	Employer Contributions Paragraph 3.4	The following contributions by the Employer are elected: [ ] (1) None. Employer contributions are not permitted. [X] (2) Employer Non-Elective Contribution. (A) Amount. Each Employer shall make an Employer Non-Elective Contribution for each Plan Year in such amount, if any, which the Employer shall determine. [X] (i) Flexible Formula - Such amount, if any, which the Board of Directors of the Employer shall determine by resolution. - See Attachment. [ ] (ii) Compensation Formula - % [Insert percentage] of the Compensation of all Participants for such Plan Year eligible to receive an allocation of

the Employer Non-Elective Contribution for such Plan Year, plus any additional amount that the Board of Directors of the Employer shall determine by resolution.

[ ] (iii) Fixed Amount - $------------ [Insert amount], plus any additional amount that the Board of Directors of the Employer shall determine by resolution.

(B) Participants Entitled to Share of Employer Non-Elective Contribution. The Employer Non-Elective Contribution shall be allocated in proportion to Compensation as defined in Option 4(a)(2)(B) of the Adoption Agreement for the Plan Year to the Employer Deferral Account of the Participants who [Select applicable provisions which shall apply conjunctively unless otherwise noted]: - See Attachment.

[ ] (i) Are employed as Eligible Employees for at least [Insert number of months] full calendar months in for such Plan Year.

[ ] (ii) Are Eligible Employees at any time during such Plan Year.

[ ] (iii) Are Eligible Employees on the last day of such Plan Year. - For Excess Profit Sharing Non-Elective Contributions.

[ ] (iv) If they died while Eligible Employees or retired on their Disability, Early, Normal or Delayed Retirement Date while Eligible Employees during such Plan Year [Check one]: - For Excess Profit Sharing Non-Elective Contributions.

[ ] (a) But only if they are employed as an Eligible Employee for at least [Insert number of months] full calendar months in such Plan Year.

[ ] (b) Regardless of the number of months employed during such Plan Year.

(C) Time for Making and Allocating Employer Non-Elective Contribution. The Employer Non-Elective Contribution [Check one]:

[ ] (i) Quarterly - For a calendar quarter of a Plan Year shall be made to the Plan within a reasonable time after the end of such quarter and shall be allocated to Participant's accounts as of the last day of such quarter.

[ ] (ii) Semi-Annually - For a six month period in the Plan Year shall be made to the Plan within a reasonable time after the end of June and December of each Plan Year and shall be allocated to Participants' accounts as of the last day of such month.

[X] (iii) Annually - For a Plan Year shall be made to the Plan at such time(s) as the Employer shall determine and shall be allocated to Participants' accounts as of the last day of such Plan Year.

[X] (3) Employer Matching Contributions.

(A) Amount. Each Employer shall make an Employer Matching Contribution for each Plan Year in an amount, subject to the limitations provided in the Plan, equal to the following percentage(s) of each Participant's Deferral Contribution of Compensation as defined in Option 4(a)(2)(C) of the Adoption Agreement for such Plan Year [Check one]:

[X] (i) Straight Percentage - 100% [Insert percentage] of his Compensation as defined in Option 4(a)(2)(C) of the Adoption Agreement contributed to the Plan (up to a maximum of 5% of such Compensation).

[ ] (ii) Contribution Weighted Percentages - % [Insert percentage] of the first % [Insert percentage] of his Compensation as defined in Option 4(a)(2)(C) of the Adoption Agreement contributed to the Plan and % of his Compensation as defined in Option 4(a)(2)(C) of the Adoption Agreement contributed to the Plan (up to a maximum of % of such Compensation).

(B) Participants Entitled to Share of Employer Matching Contribution. The Employer Matching Contribution shall be allocated as described in Option 5(a)(3)(A) of the Adoption Agreement for the Plan Year to the Employer Deferral Account of the Participants who [Select applicable provisions which shall apply conjunctively unless otherwise noted]:

[ ] (i) Are employed as an Eligible Employee for at least [Insert number of months] full calendar months in for such Plan Year.

[ ] (ii) Are Eligible Employees at any time during such Plan Year.

[X] (iii) Are Eligible Employees on the last day of such Plan Year.

[X] (iv) If they died while an Eligible Employee or retired on his Disability, Early, Normal or Delayed Retirement Date while an Eligible Employee during such Plan Year [Check one]:

[ ] (a) But only if they are employed as an Eligible Employee for at least [Insert number of months] full calendar months in such Plan Year.

[X] (b) Regardless of the number of months employed during such Plan Year.

(C) Time for Making and Allocating Employer Matching Contribution. The Employer Matching Contribution [Check one]:

[ ] (i) Quarterly - For a calendar quarter of a Plan Year shall be made to the Plan within a reasonable time after the end of such quarter and shall be allocated to Participants' accounts as of the last day of such quarter.

[ ] (ii) Semi-Annually - For a six month period in the Plan Year shall be made to the Plan within a reasonable time after the end of June and December of each Plan Year and shall be allocated to Participants' accounts as of the last day of such month.

[X] (iii) Annually - For a Plan Year shall be made to the Plan at such time(s) as the Employer shall determine and shall be allocated to Participants' accounts as of the last day of such Plan Year.

---

6. VESTING

(a) Vesting Schedule Subparagraph 6.3(a)	The following vesting schedule shall apply to the Employer Deferral Employer Deferral Account of all Participants [Check one, and complete where applicable]: [X] (1) Apply Rules Described in Qualified Plan. A Participant is vested in his Employer Deferral Account under the Plan in the same manner and applying the same rules applicable under the following qualified retirement plan maintained by the Employer: For Employer Deferral Account Matching subaccount and Employer Deferral Account Profit Sharing subaccount. [ ] (2) Always 100% Vested. A Participant shall always have a non-forfeitable right to one hundred percent (100%) of his Employer Deferral Account. [X] (3) Other Applicable Rules. A Participant shall be vested in his Employer Deferral Account in accordance with the following

rules:

See Attachment for vesting in Employer Deferral Account SERP subaccount.

[Describe vesting provisions, including automatic vesting provisions, applicable schedule and rules for counting service].

7. RETIREMENT DATES

(a) Normal Retirement Date Paragraph 6.1	A Participant's Normal Retirement Date shall be the day the Participant reaches age.
(b) Early Retirement Date Paragraph 6.3	[Select and complete applicable provision(s)] [X] (1) None. [ ] (2) Same as under the following qualified retirement plan maintained by the Employer. [ ] (3) No age requirement. [ ] (4) Age requirement of years. [ ] (5) No service requirement. [ ] (6) Service requirement of years of continuous full-time service with the employer.
(c) Disability Retirement Date Paragraph 6.4	[Select and complete applicable provision(s)] [X] (1) None. [ ] (2) Same as under the following qualified retirement plan maintained by the Employer. [ ] (3) No age requirement. [ ] (4) Age requirement of years. [ ] (5) No service requirement. [ ] (6) Service requirement of years of continuous full-time service with the Employer.

8. TIME AND FORM OF BENEFIT PAYMENTS.

(a) Benefit Commencement Date The term Benefit Commencement Date shall mean the first day of Defined Paragraphs 1.5, calendar quarter coinciding with or next following:
3.3(a) and 7.1
[ ] (1) Retirement Date. The Participant's Retirement Date under the Plan as of which he retires.

[ ] (2) Termination of Employment. The Participant's termination of employment with the Employer for whatever reason.

[X] (3) Selected By Participant. The date selected by the Participant in accordance with the following:

(A) Participant's Options. The Participant may elect that his Benefit Commencement Date be based on [Select options to be available to Participants]:

[ ] (i) His Retirement Date under the Plan as of which he retires.

[X] (ii) His termination of employment with the Employer.

[ ] (iii) A date certain stated clearly in his election form which shall be without regard to when his employment with the Employer ends.

[X] (iv) The later of a date certain or his Retirement Date as of which he retires.

[ ] (v) Describe other options to be available:

____

____

(B) Timing of Participant Election. The Participant shall elect his Benefit Commencement Date at the following time:

[ ] (i) At Time Deferral Election is Made. The Participant's election of the Benefit Commencement Date shall be made at the time his first Deferred Contribution Election is filed under the Plan.

[X] (ii) In Plan Year Prior to Date Elected. The Participant's election of the Benefit Commencement Date shall be made no later than the earlier of (a) the end of the Plan Year prior to the Benefit Commencement Date selected and (b) at least 90 days before the selected date.

(b) Form of Payment to Participant 7.2(a)

The form of benefit payments available to the Participant shall be determined in accordance with the following rules:

[_] (1) Selected By Employer. The Employer selects the following form of payment:

[_] (A) Lump Sum Payment. Deferral Benefits will be paid in the form of a lump sum payment.

[_] (B) Periodic Installments. Deferral Benefits will be paid in the form of periodic installment payments made:

(i) Frequency:

[_] (a) Monthly.

[_] (b) Quarterly.

[_] (c) Semi-Annually.

[_] (d) Annually.

(ii) Duration. Over the following period:

[_] (a) Five (5) years.

[_] (b) Ten (10) years.

[_] (c) Fifteen (15) years.

[_] (d) Twenty (20) years.

[X] (2) Selected By Participant. The form of payment shall be selected by the Participant in accordance with the following:

(A) Participant's Options. The Participant may elect from among the following forms of payment [Select options to be available to Participants]:

[X] (i) Lump Sum Payment. Deferral Benefits may be paid only in the form of a lump sum payment.

[X] (ii) Periodic Installments. Deferral Benefits may be paid in the form of periodic installment payments made:

(a) Frequency:

[X] (I) Monthly.

[X] (II) Quarterly.

[X] (III) Semi-Annually.

[X] (IV) Annually.

(b) Duration. Over the following period:

[X] (I) Five (5) years.

[X] (II) Ten (10) years.

[X] (III) Fifteen (15) years.

[X] (IV) Twenty (20) years.

(B) Timing of Participant Election. The Participant shall elect his form of payment at the following time:

[_] (i) At Time Deferral Election is Made. The Participant's election of the form of payment shall be made at the time his first Deferred Contribution Election is filed under the Plan.

[X] (ii) In Plan Year Prior to Date Elected. The Participant's election of the form of payment shall be made no later than the earlier of (a) the end of the Plan Year prior to the Benefit Commencement Date selected and (b) at least 90 days before the selected date.

(c) Form of Payment to Beneficiary Paragraph 7.2(b)	The form of benefit payments available to the Beneficiary shall be determined in accordance with the following rules:

[X] (1) Selected By Employer. The Employer selects the following form of payment:

[_] (A) Lump Sum Payment. Deferral Benefits will be paid in the form of a lump sum payment.

[_] (B) Periodic Installments. Deferral Benefits will be paid in the form of periodic installment payments made:

(i) Frequency.

[_] (a) Monthly.

[_] (b) Quarterly.

[_] (c) Semi-Annually.

[_] (d) Annually.

(ii) Duration. Over the following period:

[ ] (a) Five (5) years.

[ ] (b) Ten (10) years.

[ ] (c) Fifteen (15) years.

[ ] (d) Twenty (20) years.

[X] (2) Selected By Participant. The form of payment shall be selected by the Participant in accordance with the following:

(A) Participant's Options. The Participant may elect from among the following forms of payment [Select options to be available to Participants]:

[X] (i) Lump Sum Payment. Deferral Benefits may be paid only in the form of a lump sum payment.

[X] (ii) Periodic Installments. Deferral Benefits may be paid in the form of periodic installment payments made:

(a) Frequency:

[X] (I) Monthly.

[X] (II) Quarterly.

[X] (III) Semi-Annually.

[X] (IV) Annually.

(b) Duration. Over the following period:

[X] (I) Five (5) years.

[X] (II) Ten (10) years.

[X] (III) Fifteen (15) years.

[X] (IV) Twenty (20) years.

(B) Timing of Participant Election. The Participant shall elect the Beneficiary's form of payment at the time his first Deferred Contribution Election is filed under the Plan or at any time prior to his death.

9. PARTICIPANT DEEMED INVESTMENT DIRECTION.
Paragraph 3.6

(a) Availability Generally A Participant [Check one]:

[ ](1) Not Permitted. May not make deemed investment directions.

[ ](2) Permitted. May make deemed investment directions for the following accounts (the "directable accounts") [Check one or more]:

[X](A) Employee Deferral Account.

[X](B) Employer Deferral Account. - For Employer Deferral Account Matching subaccount and Employer Deferral Account Profit Sharing subaccount at all times; and for Employer Deferral Account SERP subaccount after vesting and termination of employment.

(b) Frequency and Effective Date of Investment Directions	Participants may make their deemed investment directions as of [Check one if Option 9(a)(2) is selected]: [X](1) Quarterly. Quarterly effective as of the first date of each quarter of the Plan Year, [ ](2) Semi-Annually. Semi-annually effective as of the first day of each Plan Year, [ ](3) Annually. Annually effective as of the first day of each Plan Year, and (if any of the above options are selected) at such other date(s) as the Administrator may from time to time authorize.

10. CHANGE IN CONTROL DEFINITION
Subparagraph 4.3(b)

Change in Control	For purposes of subparagraph 4.3(b), the term Change in Control shall have the following meaning: [X](1) The same meaning as that or a similar term has in the following plan or program adopted by the Employer to protect executives in the event of a major corporate transaction: As provided in the Plan Sponsor's 1994 Incentive Stock Plan, as amended from time to time. [ ](2) The meaning set forth in clause (ii) of subparagraph 4.3(b). -

[ ] (3) The meaning set forth in clause (ii) of subparagraph 4.3(b) with the following modifications:___________________________

[ ] (4) The meaning set forth on the attached Appendix to this Adoption Agreement which shall be incorporated by reference and made a part of the terms of the Plan.

IN WITNESS WHEREOF, each Employer, by its duly authorized representatives, has executed this instrument this 28th day of February, 2001.

C&F Financial Corporation

[Enter Name of Employer]

By /s/ Tom Cherry

Its SVP & CFO
--

[SEAL]

ATTEST:
/s/ Larry G. Dillon

Its President & CEO

Citizens and Farmers Bank

[Enter Name of Employer]

By /s/ Tom Cherry

Its SVP & CFO
--

[SEAL]

ATTEST:
/s/ Larry G. Dillon

Its President & CEO

C&F Mortgage Corporation

[Enter Name of Employer]

By /s/ Larry G Dillon

Its Chairman
--

[SEAL]

ATTEST:
/s/ Tom Cherry

Its SVP & CFO

ATTACHMENT TO
THE ADOPTION AGREEMENT FOR
VBA EXECUTIVES DEFERRED COMPENSATION PLAN
FOR C&F FINANCIAL CORPORATION
(As Restated Effective January 1, 2001)

Pursuant to authorization of the Board of Directors of C&F Financial Corporation, the following additions are made to the Adoption Agreement for the VBA Executive's Deferred Compensation Plan for C&F Financial Corporation, as restated effective January 1, 2001 in the form of the Virginia Bankers Association Model Non-Qualified Deferred Compensation Plan for Executives and as amended from time to time (the "Plan"):

1. Types of Employer Contributions. The Employer may make Employer Matching Contributions and two types of Employer Non-Elective Contributions -
(1) "Excess Profit Sharing" Employer Non-Elective Contributions and (2) "SERP" Employer Non-Elective Contributions.

2. Designation as a Participant Eligible for Employer Contributions.
Eligibility of an Employee for participation in any or all of the Employer Contributions requires designation by the Board (or a committee thereof).

(a) Participants who may be entitled to an Employer Matching Contribution are sometimes referred to as Matching Participants for this purpose.

(b) Participants who may be entitled to a "Excess Profit Sharing" Employer Non-Elective Contribution are sometimes referred to as Excess Profit Sharing Participants for this purpose.

(c) Participants who may be entitled to a SERP Employer Non-Elective Contribution are sometimes referred to as SERP Participants for this purpose.

3. Excess Profit Sharing Employer Non-Elective Contributions. Effective as of and from January 1, 2000, unless otherwise provided by the Board, an "Excess Profit Sharing" Employer Non-Elective Contribution shall be made on behalf of a Participant who has Compensation (as defined in the 401(k) Plan) in excess of the Compensation Limit and who meets the accrual requirements to receive an allocation of the profit sharing contribution under the 401(k) Plan in an amount equal to the product obtained by multiplying (a) the 401(k) Plan profit sharing contribution rate (i.e., the actual profit sharing contribution to the 401(k) Plan expressed as a percentage of the covered compensation of 401(k) Plan participants entitled to a share of the profit sharing contribution) by (b) the SERP Participant's Compensation in excess of the Compensation Limit

4. SERP Employer Non-Elective Contributions. Effective as of and from January 1, 2000, unless otherwise provided by the Board, a "SERP" Employer Non-Elective Contribution shall be made on behalf of a Participant who is a SERP Participant in such amount, if any, as determined by the Board.

5. Employer Accounts. The Employer Deferral Account shall be subdivided into three subaccounts:

(a) The Employer Deferral Account Matching subaccount to which shall be allocated Employer Matching Contributions.

(b) The Employer Deferral Account Profit Sharing subaccount to which shall be allocated Excess Profit Sharing Employer Non-Elective Contributions.

(c) The Employer Deferral Account SERP subaccount to which shall be allocated SERP Employer Non-Elective Contributions.

6. Vesting in Employer Deferral Account SERP subaccount. A Participant's Employer Deferral Account SERP subaccount shall be fully vested upon the first to occur of the following while he is an Employee:

(a) His death.
(b) His total disability (based on the standard applicable under the Employer's long term disability program or, if none or if he is not a participant in that program, based on his entitlement to Social Security disability).
(c) His retirement at or after age 65.
(d) His early retirement with consent of the Board expressly providing for such vesting.
(e) A Change in Control.

IN WITNESS WHEREOF, C&F Financial Corporation, as the Plan Sponsor, has caused its name to be signed to this Attachment by its duly authorized officer as of the date noted below.

Dated: 2-28-01 C&F Financial Corporation, Plan Sponsor

By: /s/ Tom Cherry

Its SVP & CFO

By execution hereof by the duly authorized Representative, the Virginia Bankers Association hereby accept the above Attachment.

Dated: ____________________ _____________________________________ Trustee's Representative

[PHOTO]

[C&F LOGO]

C&F FINANCIAL CORPORATION

2001 ANNUAL REPORT

[LOGO GRAPHIC]

OUR MISSION

It is the mission of the directors, officers, and 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.

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.

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.

2001 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 ten branch offices serving the surrounding towns and counties. Citizens & Commerce Bank, which operates as a division of Citizens and Farmers Bank, offers quality banking services in the Richmond market and has two branch offices. Citizens and Farmers Bank has four wholly-owned subsidiaries. C&F Mortgage Corporation originates and sells residential mortgages. These mortgage services are provided through seven offices in Virginia and three offices in Maryland. Brokerage services are offered through C&F Investment Services, Inc. C&F Title Agency, Inc., offers title insurance services. Insurance services are offered through C&F Insurance Services, Inc. Trust services are provided in association with The Trust Company of Virginia.

```
          Return on Average Equity                Return on Average Assets

                   [GRAPH]                                 [GRAPH]

      16.08% 17.81% 19.22% 15.99% 18.93%        1.90%  2.03%  2.19%  1.76%  2.09%

       1997   1998   1999   2000   2001         1997   1998   1999   2000   2001


                Net Income                              Earnings Per Share
           dollars in thousands

                   [GRAPH]                                  [GRAPH]

     $4,937  $6,134  $6,756  $5,836  $7,989       $1.25  $1.56  $1.81  $1.60  $2.23
```

1997 1998 1999 2000 2001 1997 1998 1999 2000 2001

[PHOTO]

[PHOTO GRAPHIC]

LETTER FROM THE PRESIDENT

[PHOTO]
Larry G. Dillon
Chairman, President and
Chief Executive Officer

Dear Fellow Shareholders

On behalf of the Board of Directors, I am pleased to present the Annual Report of C&F Financial Corporation for the year 2001, another year in which we achieved record growth and earnings. It was a year where unmatched drops in interest rates stagnated the earnings at Citizens and Farmers Bank, yet precipitated record production and earnings at C&F Mortgage Corporation. It was also a year in which our country experienced unbelievable acts of terrorism, which in turn played havoc on our economy. These acts brought back both patriotic and spiritual values and served to unite us as a country. The record-breaking results of our company are pale compared to what has happened to us as a country. The year 2001 will be one none of us will ever forget.

Net income in 2001 totaled just under $7.2 million (excluding the $776,000 after-tax gain on the sale of the Tappahannock Office to Northern Neck State Bank, which occurred in the 4th quarter), up 24% from $5.8 million earned in 2000. This resulted in a return on average assets of 1.89% and a return on average equity of 17.09%, up from 1.76% and 15.99%, respectively, in 2000. Our earnings also compare favorably with those of our peers who, as of September 2001, showed average annualized returns on average assets of 1.03% and average equity of 11.15%. Earnings per share jumped from $1.60 to $2.01.

Earnings for the Corporation are up primarily due to the superb results of C&F Mortgage Corporation. You will note as you review this report that the unprecedented eleven drops of the federal funds rate drastically affected the Bank's interest spread, which dropped by 34 basis points during the year. This drop negated the Bank's asset growth for the year and, as mentioned above, was primarily responsible for the flat earnings of the Bank. Also impacting the Bank was the increase in overhead costs associated with opening two new branches and the new technology implemented over the last eighteen months.

The significant drop in interest rates, on the other hand, tremendously helped the Mortgage Corporation. With interest rates down, C&F Mortgage saw its loan production more than double, increasing from $294 million in 2000 to $627 million in 2001, which resulted in more than a 400% growth in earnings. Also affecting earnings in 2001 was the growth in revenues and earnings of both C&F Title Agency, Inc. and C&F Investment Services, Inc., both of which saw their earnings more than double. The sale of the Tappahannock Office resulted in a one-time $776,000 after-tax gain. This sale to Northern Neck State Bank was the result of an unsolicited offer from them that made economic sense to us; in addition, Tappahannock is far removed from the rest of our branch network.

We saw many exciting changes for the Corporation in 2001. The most notable was the opening of our new 25,000 sq. ft. facility in Midlothian, which is now the headquarters for C&F Mortgage

[PHOTO]

The unique lobby design provides a warm atmosphere to welcome customers into the Citizens & Commerce Bank branch on Alverser Drive in Midlothian.

Corporation and Citizens & Commerce Bank, a division of Citizens and Farmers Bank. This facility, located in a new commercial development appropriately named the "C&F Center," offers the Mortgage Corporation greatly expanded facilities at a strategically located site and allows us room for future expansion.

The bank portion of this facility offers Citizens & Commerce Bank not only a new and strategically important location, but has been designed and built as one of the most unique banking lobbies in the country. In addition to the typical offices, teller line and new account desks, it offers the customers two large television screens to watch continuously running news and two Internet workstations to be able to "surf the net." In addition, there is a coffee bar, from which the net proceeds of coffee sales will be given to various local charities. These combined amenities provide for an inviting setting to the customer, which is what we want. This philosophy is very different from some of our larger competitors who are doing all they can to keep the customers out of their branches.

Also located within this facility are the headquarters of C&F Title Agency, Inc. and an office of C&F Investment Services, Inc. We can now offer all of our customers and potential customers in the Midlothian market full banking services, brokerage services and mortgage banking services. It truly is a financial "center."

In December of 2001, we also opened our twelfth banking office, in Sandston. This freestanding office offers all of the same inviting amenities as our Midlothian office. Given the overwhelming volume of new accounts being opened, this office may become one of our busiest locations.

We saw many exciting changes for the Corporation in 2001. The most notable was the opening of our new 25,000 sq. ft. facility in Midlothian, which is now the headquarters for C&F Mortgage Corporation and Citizens & Commerce Bank, a division of Citizens and Farmers Bank.

[PHOTO]

Employees and customers enjoy the spacious coffee bar, television and Internet area at the Citizens & Commerce Bank branch on Alverser Drive.

In January of 2001, we began offering our customers "imaged" monthly statements. This service allows us to offer our customers condensed images of their cleared checks in a manner that allows them to better organize their home record keeping.

[75 YRS. LOGO]

We make every effort to provide our customers with the best products and services possible, therefore, we must constantly be improving our training and technology. The year 2001 was no exception, as we made several enhancements to both our technology and offerings. Unseen to the customer, and possibly most important to our speed of delivery, was a replacement of our mainframe computer system during 2001. Not only will this change increase our computing speed and capacity, it will also keep us at the forefront of computing hardware.

In January of 2001, we began offering our customers "imaged" monthly statements. This service allows us to offer our customers condensed images of their cleared checks in a manner that allows them to better organize their home record keeping. This system also offers two other important services. First, it allows our internal research, either for our own purposes or that of the customer, to be almost instantaneous. Secondly, after initiating our Internet banking service in the spring of 2001, our customers now have the ability to see the image of any cleared check online.

Not only do our Internet banking customers have the ability to "see" their cleared items, they are now able to perform just about any banking transaction online in the privacy of their own homes and at their own convenience. With our system being "real time," no matter whether the customer is performing the transaction or inquiry within the branch, on our telephone banking system, or over the Internet, the customer will always receive the same information.

The Board of Directors was sad to receive the recent resignation of P. Loy Harrell from the Board of Citizens and Farmers Bank, where he

[PHOTO GRAPHIC]

had served as a Board member since 1966. The entire Board will sorely miss Mr. Harrell's experience, depth of knowledge and guidance.

During 2001, the Board appointed Audrey D. Holmes to the Board of Citizens and Farmers Bank. Ms. Holmes is a local attorney in the Sandston market and not only provides knowledge of that market but also of the Charles City County market where she has been a lifelong resident. Her knowledge of and respect in both markets as well as her expertise will be a great benefit to the Board.

At its meeting in January 2002, the Board appointed Barry R. Chernack, who has served as a member of the Board of Directors of Citizens and Farmers Bank since 2000, to the Board of C&F Financial Corporation. Mr. Chernack, a past managing partner of PriceWaterhouseCoopers LLP, will bring considerable accounting and business knowledge to both the Board and its Audit Committee.

The directors, officers, and staff of C&F Financial Corporation are committed to supporting the communities in which we are located and demonstrate that support in many fashions. Most of our staff are very active in various civic groups, often giving many hours of their personal time. These activities range from overseeing various "walk-a-thons," to coaching at the local high school, to serving on local community boards. We are very appreciative of the communities we serve and try to give back in ways that keep us involved in these communities.

Our philosophy at C&F is that in order for us to be successful on a long-term basis, which is our primary goal, we have to look out for the interests of three constituencies: our staff, who provide the backbone of what we do; the communities we serve, who provide our customers and without which we would not exist; and our stockholders, who provide us the financial support. To look out for one above the others would lead to failure. The interests of all have to be well served. We look out for our staff members by trying to assure fair compensation and benefits packages to provide for them and their families; we provide them with growth and educational opportunities; and, we are constantly challenging them with the changes both within the organization as well as the industry. We care for our communities by providing the best in products and services we possibly can and we give back both personally and financially in as many ways as possible. And finally, we look out for you, our stockholders, by striving to provide the best returns possible. We are ever cognizant that to remain a viable long-term organization we must provide you with a solid return on your investment. We are not perfect, however we do strive for perfection in all we do.

Our thanks and appreciation go out to all of our constituencies for helping to make this organization what it is - a truly fine financial services corporation. We thank you for your support and ask for your continued patronage as we celebrate our 75th year of providing financial services.

/s/ Larry G. Dillon

Larry G. Dillon
Chairman, President and Chief Executive Officer

[PHOTO]

Kitty Buckner-Branch Manager and Alice Robbins-Assistant Branch Manager discuss new customer opportunities at our Citizens and Farmers Bank branch in Sandston.

DIRECTORS AND ADVISORS

[PHOTO]

Citizens and Farmers Bank (back left to right)-- Bryan E. McKernon, Reginald H. Nelson IV, Paul C. Robinson, J. P. Causey Jr., James H. Hudson III, Joshua H. Lawson, and Thomas B. Whitmore Jr. (front left to right) Barry R. Chernack, Larry G. Dillon, Audrey D. Holmes, and William E. O'Connell Jr.

C&F Financial Corporation/Citizens and Farmers Bank

J. P. Causey Jr.*+
Senior Vice President, Secretary &
General Counsel
Chesapeake Corporation

Barry R. Chernack*+
Retired Partner
PriceWaterhouseCoopers LLP

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

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

Audrey D. Holmes+
Attorney-at-Law
Audrey D. Holmes, Attorney-at-Law

James H. Hudson III*+
Attorney-at-Law
Hudson & Bondurant, P.C.

Joshua H. Lawson*+
President
Thrift Insurance Corporation

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

Paul C. Robinson*+
Owner & President
Francisco, Robinson & Associates, Realtors

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

Citizens & Commerce Bank

Frank Bell III
President
Citizens & Commerce Bank

Jeffery W. Jones
Chairman & Chief Executive Officer
WFofR, Incorporated

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

William E. O'Connell Jr.
Chairman of the Board
Chessie Professor of Business
The College of William and Mary

Meade A. Spotts
President
Spotts, Fain, Chappell & Anderson, P.C.

Scott E. Strickler
Treasurer
Robins Insurance Agency, Inc.

Katherine K. Wagner
Senior Vice President
Commercial Lending
Citizens & Commerce Bank

C&F Mortgage Corporation

J. P. Causey Jr.
Senior Vice President, Secretary &
General Counsel
Chesapeake Corporation

Larry G. Dillon
Chairman of the Board

James H. Hudson III
Attorney-at-Law
Hudson & Bondurant, P.C.

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

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

Paul C. Robinson
Owner & President
Francisco, Robinson & Associates, Realtors

C&F Investment Services, Inc.

Larry G. Dillon
President

Eric F. Nost
Vice President

Thomas F. Cherry
Treasurer

Gari B. Sullivan
Secretary

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

Citizens & Commerce Bank Board (back left to right)-- Scott E. Strickler, S. Craig Lane, Katherine K. Wagner, Frank Bell III, and William E. O'Connell Jr. (front left to right) Jeffery W.

Jones and Meade A. Spotts

[PHOTO]

OFFICERS AND LOCATIONS

[GRAPHIC]

Independent Public Accountants

Yount, Hyde & Barbour, P.C.
Winchester, VA

Corporate Counsel

Hudson & Bondurant, P.C.
West Point, VA

Varina Advisory Board

Robert A. Canfield
Attorney-at-Law
Canfield, Shapiro, Baer, Heller & Johnston

Robert F. Nelson Jr.
Professional Engineer
Engineering Design Associates

Phil T. Rutledge Jr.
Retired Deputy County Manager
County of Henrico

Sandra W. Seelmann
Real Estate Broker/Owner
Varina & Seelmann Realty

Citizens and Farmers Bank

ADMINISTRATIVE OFFICE
802 Main Street
West Point, Virginia 23181
(804) 843-2360

Larry G. Dillon *
Chairman, President & CEO

Maria E. Campbell
Senior Vice President, Retail

Thomas F. Cherry *
Senior Vice President & CFO

Gari B. Sullivan *
Senior Vice President & Secretary

Leslie A. Campbell
Vice President, Loan Operations

Sandra S. Fryer
Vice President, Operations

William B. Littreal
Vice President, Information Systems

Deborah R. Nichols
Vice President, Quality Control

Laura H. Shreaves
Vice President & Director of Human Resources

* Officers of C&F Financial Corporation

WEST POINT -- MAIN OFFICE
Thomas W. Stephenson Jr.
Branch Manager
802 Main Street
West Point, Virginia 23181
(804) 843-2360

JAMESTOWN ROAD
Alec J. Nuttall
Assistant Vice President
& Branch Manager
1167 Jamestown Road
Williamsburg, Virginia 23185
(757) 220-3293

LONGHILL ROAD
Sandra C. St. Clair
Assistant Vice President
& Branch Manager
4780 Longhill Road
Williamsburg, Virginia 23188
(757) 565-0593

MIDDLESEX
N. Susan Gordon
Assistant Vice President
& Branch Manager
Route 33 at Route 641
Saluda, Virginia 23149
(804) 758-3641

NORGE
Robert J. Unangst
Branch Manager
7534 Richmond Road
Norge, Virginia 23127
(757) 564-8114

PROVIDENCE FORGE
James D. W. King
Vice President & Branch Manager
3501 N. Courthouse Road
Providence Forge, Virginia 23140
(804) 966-2264

QUINTON
Mary T. "Joy" Whitley
Assistant Vice President
& Branch Manager
2580 New Kent Highway
Quinton, Virginia 23141
(804) 932-4383

SANDSTON
Katherine P. Buckner
Assistant Vice President
& Branch Manager
100 East Williamsburg Road
Sandston, Virginia 23150
(804) 737-7005

VARINA
Susan M. Terry
Branch Manager
Route 5 at Strath Road
Richmond, Virginia 23231
(804) 795-7000

Tracy E. Pendleton
Vice President & Area Credit Manager
(804) 795-7706

WEST POINT -- 14TH STREET
Karen T. Richardson
Assistant Vice President & Branch Manager 415 Fourteenth Street
West Point, Virginia 23181
(804) 843-2708

CONSTRUCTION LENDING OFFICE
Terrence C. Gates
Vice President, Real Estate Construction C&F Center
1400 Alverser Drive
Midlothian, Virginia 23113
(804) 858-8351

Citizens & Commerce Bank

ADMINISTRATIVE OFFICE
C&F Center
1400 Alverser Drive
Midlothian, Virginia 23113
(804) 378-0332

Frank Bell III
President

Katherine K. Wagner
Senior Vice President
Commercial Lending

MIDLOTHIAN
Sandra R. Gee
Branch Manager
C&F Center
1400 Alverser Drive
Midlothian, Virginia 23113
(804) 378-0332

RICHMOND
Michele Hottle
Branch Manager
8001 West Broad Street
Richmond, Virginia 23294
(804) 290-0402

OFFICERS AND LOCATIONS

[GRAPHIC]

C&F Mortgage Corporation

ADMINISTRATIVE OFFICE
1400 Alverser Drive
Midlothian, VA 23113
(804) 858-8300

Bryan E. McKernon
President & Chief Executive Officer

Mark A. Fox
Executive Vice President &
Chief Financial Officer

Donna G. Jarratt
Senior Vice President & Project Manager

Kevin A. McCann
Vice President & Controller

Tracy L. Bishop
Vice President & Human Resources Manager

M. Kathy Burley
Vice President & Closing Manager

James A. Ryan, III
Vice President & Underwriting Manager

RICHMOND, VIRGINIA
1400 Alverser Drive
Midlothian, VA 23113
(804) 858-8300

Donald R. Jordan
Vice President & Branch Manager

Daniel J. Murphy
Vice President & Production Manager

Susan P. Burkett
Vice President & Operations Manager

RICHMOND, VIRGINIA
7231 Forest Avenue, Suite 202
Richmond, Virginia 23226
(804) 673-3453

Page C. Yonce
Vice President & Branch Manager

Constance Bachman-Hamilton
Vice President & Production Manager

CHESTER, VIRGINIA
4517 West Hundred Road
Chester, Virginia 23831
(804) 748-2900

Stephen L. Fuller
Vice President & Branch Manager

CHARLOTTESVILLE, VIRGINIA
1420 Greenbrier Place
Charlottesville, Virginia 22901
(434) 974-1450

William E. Hamrick
Vice President & Branch Manager

Philip N. Mahone
Vice President & Branch Manager

NEWPORT NEWS, VIRGINIA
703 Thimble Shoals Boulevard, Suite C4
Newport News, Virginia 23606
(757) 873-8200

Linda H. Gaskins
Vice President & Branch Manager

WILLIAMSBURG, VIRGINIA
1167-A Jamestown Road
Williamsburg, Virginia 23185
(757) 259-1200

Irving E. "Ed" Jenkins
Vice President & Branch Manager

LYNCHBURG, VIRGINIA
17835 Forest Road, Suite B
Forest, Virginia 24551
(434) 385-0700

J. Garnett Atkins
Vice President & Branch Manager

CROFTON, MARYLAND
2191 Defense Highway, Suite 200
Crofton, Maryland 21114
(410) 721-6770

Michael J. Mazzola
Senior Vice President & Maryland Area
Manager

ANNAPOLIS, MARYLAND
20 Ridgely Avenue, Suite 302
Annapolis, Maryland 21401
(410) 263-9229

William J. Regan
Vice President & Branch Manager

ELLICOTT CITY, MARYLAND
5052 Dorsey Hall Drive
Suite 202
Ellicott City , MD 21042
(410) 964-9223

Scott B. Segrist
Branch Manager

Robert G. Menton
Branch Manager

APPRAISAL SERVICES
1400 Alverser Drive
Midlothian, VA 23113
(804) 858-8300

H. Daniel Salomonsky
Vice President & Appraisal Manager

C&F Title Agency, Inc.
1400 Alverser Drive
Midlothian, VA 23113
(804) 858-8399

Eileen A. Cherry
Vice President & Title Insurance Underwriter

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
1400 Alverser Drive
Midlothian, Virginia 23113
(804) 378-7296
(888) 435-2033

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

[C&F LOGO]

[LOGO] C F F I

NASDAQ
LISTED

Stock Listing
Current market quotations for the common stock of C&F Financial Corporation are available under the symbol CFFI.

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.

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

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

[C&F LOGO]

C&F Financial Corporation 802 Main Street o PO Box 391 West Point, Virginia 23181 (804) 843-2360

www.cffc.com

Exhibit 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-63699, No.333-67535, No. 333-89551, No. 333-89505, and No. 333-35996) and Form S-3 (No. 333-60877 and No. 333-30497) and in the related Prospectuses, of our report, dated January 15, 2002, relating to the consolidated financial statements of C&F Financial Corporation and Subsidiary, included in the 2001 Annual Report of Shareholders and incorporated by reference in the Annual Report on Form 10-K for the year ended December 31, 2001.

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

Winchester, Virginia
March 14, 2002

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

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant [X]

Filed by a Party other than the Registrant [_]

Check the appropriate box:

[_] Preliminary Proxy Statement

[_] CONFIDENTIAL, FOR USE OF THE COMMISSION ONLY (AS PERMITTED BY RULE 14A-6(E)(2))

[X] Definitive Proxy Statement

[_] Definitive Additional Materials

[_] Soliciting Material Pursuant to (S) 240.14a-11(c) or (S) 240.14a-12

C & F FINANCIAL CORPORRATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

[X] No fee required.

[_] Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

---

(2) Aggregate number of securities to which transaction applies:

---

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

---

(4) Proposed maximum aggregate value of transaction:

---

(5) Total fee paid:

[_] Fee paid previously with preliminary materials.

[_] Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

---

(2) Form, Schedule or Registration Statement No.:

---

(3) Filing Party:

---

(4) Date Filed:

Notes:

Reg. (S) 240.14a-101.
SEC 1913 (3-99)

[LOGO]

C&F Financial Corporation Eighth and Main Streets P.O. Box 391 West Point, Virginia 23181

Dear Fellow Shareholders:

You are cordially invited to attend the 2002 Annual Meeting of Shareholders of C&F Financial Corporation, the holding company for Citizens and Farmers Bank. The meeting will be held on Tuesday, April 16, 2002, at 3:30 p.m. at the Father van den Boogaard Center, 3510 King William Avenue, West Point, Virginia. The accompanying Notice and Proxy Statement describe the matters to be presented at the meeting. Enclosed is our Annual Report to Shareholders that will be reviewed at the Annual Meeting.

Please complete, sign, date, and return the enclosed proxy card as soon as possible. Whether or not you will be able to attend the Annual Meeting, it is important that your shares be represented and your vote recorded. If you decide to attend the Annual Meeting in person, you can revoke your proxy at any time before it is voted at the Annual Meeting.

We appreciate your continuing loyalty and support of C&F Financial Corporation.

Sincerely,

/s/ Larry G. Dillon

Larry G. Dillon
President & Chief Executive Officer

West Point, Virginia
March 15, 2002

C&F FINANCIAL CORPORATION
Eighth and Main Streets
P.O. Box 391
West Point, Virginia 23181

NOTICE OF 2002 ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD APRIL 16, 2002

The 2002 Annual Meeting of Shareholders of C&F Financial Corporation (the "Company") will be held at the Father van den Boogaard Center, 3510 King William Avenue, West Point, Virginia, on Tuesday, April 16, 2002, at 3:30 p.m. for the following purposes:

1. To elect three Class III directors to the Board of Directors of the Company to serve until the 2005 Annual Meeting of Shareholders, as described in the Proxy Statement accompanying this notice.

2. To ratify the Board of Directors' appointment of Yount, Hyde & Barbour, P.C., as the Company's independent public accountants for 2002.

3. To transact such other business as may properly come before the meeting or any adjournment thereof.

Shareholders of record at the close of business on February 26, 2002, are entitled to notice of and to vote at the Annual Meeting or any adjournment thereof.

By Order of the Board of Directors,

/s/ Gari B. Sullivan

Gari B. Sullivan
Secretary

March 15, 2002

IMPORTANT NOTICE

Please complete, sign, date, and return the enclosed proxy card in the accompanying postage paid envelope so that your shares will be represented at the meeting. Shareholders attending the meeting may personally vote on all matters that are considered, in which event their signed proxies are revoked.

C&F FINANCIAL CORPORATION
Eighth and Main Streets
P.O. Box 391
West Point, Virginia 23181

PROXY STATEMENT
2002 ANNUAL MEETING OF SHAREHOLDERS
April 16, 2002

GENERAL

The following information is furnished in connection with the solicitation by and on behalf of the Board of Directors of the enclosed proxy to be used at the 2002 Annual Meeting of the Shareholders (the "Annual Meeting") of C&F Financial Corporation (the "Company") to be held Tuesday, April 16, 2002, at 3:30 p.m. at the Father van den Boogaard Center, 3510 King William Avenue, West Point, Virginia. The approximate mailing date of this Proxy Statement and accompanying proxy is March 15, 2002.

Revocation and Voting of Proxies

Execution of a proxy will not affect a shareholder's right to attend the Annual Meeting and to vote in person. Any shareholder who has executed and returned a proxy may revoke it by attending the Annual Meeting and requesting to vote in person. A shareholder may also revoke his proxy at any time before it is exercised by filing a written notice with the Company or by submitting a proxy bearing a later date. Proxies will extend to, and will be voted at, any properly adjourned session of the Annual Meeting. If a shareholder specifies how the proxy is to be voted with respect to any proposals for which a choice is provided, the proxy will be voted in accordance with such specifications. If a shareholder fails to specify with respect to such proposals, the proxy will be voted FOR proposals 1, and 2, as set forth in the accompanying notice and further described herein.

Voting Rights of Shareholders

Only those shareholders of record at the close of business on February 26, 2002, are entitled to notice of and to vote at the Annual Meeting, or any adjournments thereof. The number of shares of common stock of the Company outstanding and entitled to vote at the Annual Meeting is 3,529,726. The Company has no other class of stock outstanding. A majority of the votes entitled to be cast, represented in person or by proxy, will constitute a quorum for the transaction of business. Each share of Company common stock entitles the record holder thereof to one vote upon each matter to be voted upon at the Annual Meeting.

With regard to the election of directors, votes may be cast in favor or withheld. If a quorum is present, the nominees receiving a plurality of the votes cast at the Annual Meeting will be elected directors; therefore, votes withheld will have no effect. The ratification of Yount, Hyde & Barbour, P.C. as the Company's independent public accountants requires an affirmative vote of a majority of the shares cast on the matter. Thus, although abstentions and broker non-votes (shares held by customers which may not be voted on certain matters because the broker has not received specific instructions from the customers) are counted for purposes of determining the presence or absence of a quorum for the transaction of business, they are generally not counted for purposes of determining whether such a proposal has been approved, and therefore have no effect.

Solicitation of Proxies

The cost of solicitation of proxies will be borne by the Company. Solicitations will be made only by the use of the mail, except that officers and regular employees of the Company and Citizens and Farmers Bank (the "Bank") may make solicitations of proxies by telephone, telegram, special letter, or by special call, acting without compensation other than their regular compensation. It is contemplated that brokerage houses and other nominees, custodians, and fiduciaries will be requested to forward the proxy soliciting material to the beneficial owners of the stock held of record by such persons, and the Company will reimburse them for their charges and expenses in this connection.

Security Ownership of Certain Beneficial Owners and Management

The following table shows the share ownership as of February 26, 2002, of the shareholders known to the Company to be the beneficial owners of more than 5% of the Company's common stock, par value $1.00 per share, which is the Company's only voting security outstanding.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership/(1)/	Percent of Class
SunTrust Banks, Inc. 303 Peachtree Street, Suite 1500 Atlanta, Georgia 30308	244,828/(2)/	6.9%

/(1)/ For purposes of this table, beneficial ownership has been determined in accordance with the provisions of Rule 13d-3 of the Securities Exchange Act of 1934 under which, in general, a person is deemed to be the beneficial owner of a security if he or she has or shares the power to vote or direct the voting of the security or the power to dispose of or direct the disposition of the security, or if he or she has the right to acquire beneficial ownership of the security within sixty days.

/(2)/ Based on Amendment No. 3 to a Schedule 13G filed with the Securities and Exchange Commission on February 14, 2002 by SunTrust Banks, Inc. and certain of its subsidiaries. According to this Amendment No. 3, SunTrust Banks, Inc. and these subsidiaries have sole voting power with respect to 244,828 of theses shares, sole investment power with respect to 38,680 of these shares and shared investment power with respect to 206,148 of these shares. The 244,828 shares are held by one or more subsidiaries of SunTrust Banks, Inc. in various fiduciary and agency capacities. SunTrust Banks, Inc. and such subsidiaries disclaim any beneficial interest in any of the shares reported.

The following table shows as of February 26, 2002, the beneficial ownership of the Company's common stock for each director, director nominee, certain executive officers and for all directors, director nominees, and executive officers of the Company as a group.

Name	Amount and Nature of Beneficial Ownership/(1)/	Percent of Class
J. P. Causey Jr.	36,938/(3)/	1.0%
Barry R. Chernack	605	*
Larry G. Dillon	46,202/(2)/	1.3%
James H. Hudson III	5,590/(3)/	*
Joshua H. Lawson	30,922/(3)/	*
William E. O'Connell Jr.	5,750/(3)/	*
Paul C. Robinson	6,192/(3)/	*
Thomas F. Cherry	5,700/(2)/	*
Gari B. Sullivan	3,237/(2)/	*
All Directors, Nominees and Executive Officers as a group (9 persons)	141,136	4.0%

* Represents less than 1% of the total outstanding shares of the Company's common stock.

/(1)/ For purposes of this table, beneficial ownership has been determined in accordance with the provisions of Rule 13d-3 of the Securities Exchange Act of 1934 under which, in general, a person is deemed to be the beneficial owner of a security if he or she has or shares the power to vote or direct the voting of the security or the power to dispose of or direct the disposition of the security, or if he or she has the right to acquire beneficial ownership of the security within sixty days.

/(2)/ Includes 17,700 shares, 5,500 shares, and 1,500 shares for Mr. Dillon, Mr. Cherry, and Mr. Sullivan, respectively, as to which they hold presently exercisable options. A description of such options is set forth below in greater detail in "Compensation Committee Report on Executive Compensation."

/(3)/ Includes 3,750 shares that may be acquired upon the exercise of options. A description of the plan under which these options were issued is set forth below in "Director Compensation."

PROPOSAL ONE
ELECTION OF DIRECTORS

The Company's Board is divided into three classes (I, II, and III) of directors. The term of office for Class III directors will expire at the Annual Meeting. Three persons named below, each of whom currently serves as a director of the Company, will be nominated to serve as Class III directors. If elected, the Class III nominees will serve until the 2005 Annual Meeting of Shareholders. The persons named in the proxy will vote for the election of the nominees named below unless authority is withheld. The Company's Board believes that the nominees will be available and able to serve as directors, but if any of these persons should not be available or able to serve, the proxies may exercise discretionary authority to vote for a substitute proposed by the Company's Board.

Certain information concerning the nominees for election at the Annual Meeting as Class III directors is set forth below, as well as certain information about the other Class I and II directors, who will continue in office until the 2003 and 2004 Annual Meeting of Shareholders, respectively.

Name (Age)	Served Since/(1)/	Principal Occupation During Past Five Years
Class I Directors	(Serving Until the 2003 Annual Meeting)	
Larry G. Dillon (49)	1989	Chairman, President and Chief Executive Officer of the Company and the Bank
James H. Hudson III (53)	1997	Attorney-at-Law Hudson & Bondurant, P.C.
Class II Directors	(Serving Until the 2004 Annual Meeting)	
Joshua H. Lawson (60)	1993	President, Thrift Insurance Corporation
Paul C. Robinson (44)	1994	President, Francisco, Robinson & Associates, Inc.
Class III Directors (Nominees)	(Serving Until the 2005 Annual Meeting)	
J. P. Causey Jr. (58)	1984	Executive Vice President, Secretary & General Counsel of Chesapeake Corporation 2001 to present; Senior Vice President prior to 2001

Barry R. Chernack (54)	2000	Retired January 2000 to present; Managing Partner, Pricewaterhouse-Coopers, LLP, Southern Virginia Practice prior to January 2000
William E. O'Connell Jr. (64)	1994	Chessie Professor of Business, The College of William and Mary

(1) Refers to the year in which the director was first elected to the Board of Directors of the Bank.

The Board of Directors of the Bank consists of the seven members of the Company's Board listed above, as well as, Audrey D. Holmes, Bryan E. McKernon, Reginald H. Nelson IV, and Thomas B. Whitmore Jr.

The Board of Directors is not aware of any family relationship between any director, executive officer or person nominated by the Company to become director; nor is the Board of Directors aware of any involvement in legal proceedings which are material to an evaluation of the ability or integrity of any director or person nominated to become a director. Unless authority for the nominees is withheld, the shares represented by the enclosed proxy card, if executed and returned, will be voted FOR the election of the nominees proposed by the Board of Directors.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE DIRECTORS NOMINATED TO SERVE AS CLASS III DIRECTORS.

Board Committees and Attendance

During 2001, there were eight meetings of the Board of Directors of the Company. Each director attended at least 75% of all meetings of the boards and committees on which he or she served. The Board of Directors of the Company has a Capital Plan Committee and an Audit Committee and the Board of Directors of the Bank has an Executive Committee and a Compensation Committee. The Board of Directors of the Company acts as the nominating committee for nominees to be voted on for election as directors.

In its capacity as the nominating committee, the Board of Directors will accept for consideration shareholder's nominations for directors if made in writing. In accordance with the Company's bylaws, such a shareholder nomination must include the nominee's written consent to the nomination, sufficient background information with respect to the nominee, sufficient identification of the nominating shareholder and a representation by shareholder of his or her intention to appear at the Annual Meeting (in person or by proxy) to nominate the individual specified in the notice. Nominations must be received by the Company's Secretary at the Company's principal office in West Point, Virginia, no later than February 13, 2003 in order to be considered for the next annual election of directors.

Members of the Bank's Executive Committee are Messrs. Causey, Dillon, Hudson, and O'Connell. The Executive Committee reviews various matters and submits proposals or recommendations to the Board of Directors. The Executive Committee met one time during 2001.

Members of the Bank's Compensation Committee are Messrs. Causey, Chernack, Hudson, and Whitmore. The Compensation Committee recommends the level of compensation of each officer of the Bank, the granting of stock options and other employee remuneration plans to the Board of Directors. The Compensation Committee met two times during 2001.

Members of the Company's Audit Committee are Messrs. Causey, Chernack, Lawson, O'Connell, and Robinson. The Audit Committee reviews and approves various audit functions including the year-end audit performed by the Company's independent public accountants. The Audit Committee met four times during 2001. See Report of the Audit Committee on page 10.

Directors' Compensation

Each of the directors of the Company is also a director of the Bank. Non-employee members of the Board of Directors of the Bank receive an annual retainer of $2,500, payable quarterly, with a base meeting fee of $300 per day for Company or Bank meetings and a fee of $100 for each secondary meeting of the Company, Bank, or any committees thereof held on the same day as a meeting for which the base meeting fee is paid.

In addition to cash compensation, non-employee members of the Board of Directors of the Bank participate in the Non-Employee Directors' Stock Compensation Plan. Under this plan, directors are granted the option to purchase the Company's common stock at a price equal to the fair market value of the stock at the date of grant. Options are exercisable twelve months after the date of grant and expire ten years from the date of grant. On May 1, 2001, all non-employee members of the Board of Directors of the Bank were granted 1,500 options with an exercise price of $16.75 per share.

Interest of Management in Certain Transactions

As of December 31, 2001, the total maximum extensions of credit (including used and unused lines of credit) to policy-making officers, directors, and their associates amounted to $2,583,189, or 5.77%, of total year-end capital. The maximum aggregate amount of such indebtedness outstanding during 2001 was $1,174,198, or 2.62%, of total year-end capital. These loans were made in the ordinary course of the Bank's business, on the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with others, and do not involve more than the normal risks of collectibility or present other unfavorable features. The Bank expects to have in the future similar banking transactions with officers, directors, and their associates.

Executive Compensation

Summary of Cash and Certain Other Compensations. The following table shows the cash compensation paid to Mr. Dillon, President and Chief Executive Officer of the Company, Thomas F. Cherry, Senior Vice President and Chief Financial Officer of the Company, and Gari B. Sullivan, Senior Vice President and Secretary of the Company, during 2001, 2000, and 1999. During 2001, no other executive officer of the Company received compensation in excess of $100,000.

SUMMARY COMPENSATION TABLE

	Annual Compensation				Long-Term Compensation	
Name and Principal Position	Year	Salary	Bonus/(1)/	Other Annual Compensation/(2)/	Options/(3)/	All Other Compensation/(4)/
Larry G. Dillon	2001	$172,500	$60,000	-	3,500	$28,518
President/Chief	2000	167,500	50,000	-	3,500	27,533
Executive Officer	1999	152,500	50,000	-	3,500	22,736
Thomas F. Cherry	2001	104,000	25,000	-	2,500	22,725
Senior Vice	2000	100,000	20,000	-	2,500	21,773
President/CFO	1999	89,000	20,000	-	2,500	10,410
Gari B. Sullivan	2001	94,000	18,000	-	2,000	29,048
Senior Vice	2000	90,500	13,000	-	2,000	28,489
President/Secretary	1999	87,500	13,000	-	2,000	29,811

/(1)/ All bonuses were paid under the Management Incentive Bonus Plan.

/(2)/ The amount of compensation in the form of perquisites or other personal benefits properly categorized in this column according to the disclosure rules adopted by the Securities and Exchange Commission did not exceed the lesser of either $50,000, or 10% of the total annual salary and bonus reported in each of the three years reported for Mr. Dillon, Mr. Cherry, and Mr. Sullivan, respectively.

/(3)/ Year 2001 options were granted at an exercise price of $19.05 per share; year 2000 options were granted at an exercise price of $15.75 per share; year 1999 options were granted at an exercise price of $17.00 per share.

/(4)/ $8,500, $7,680, and $8,000 were contributed for Mr. Dillon, $6,125, $5,773, and $5,210 were contributed for Mr. Cherry, and $5,364, $4,980, and $4,975 were contributed for Mr. Sullivan under the Bank's Profit-Sharing Plan for 2001, 2000, and 1999, respectively. $6,218, $6,218, and $6,736 were contributed for Mr. Dillon and $18,334, $18,334, and $19,861 were contributed for Mr. Sullivan under the Bank's Split-Dollar Insurance Program for 2001, 2000, and 1999, respectively. $8,500, $8,000, and $8,000 were contributed for Mr. Dillon, $6,200, $6,000, and $5,200 were contributed for Mr. Cherry, and $5,350, $5,175, and $4,975 were contributed for Mr. Sullivan under the Bank's 401(k) Plan for 2001, 2000, and 1999, respectively. $5,300 and $5,635 were contributed for Mr. Dillon and $10,400 and $10,000 for Mr. Cherry, under the Company's Executive Deferred Compensation Plan for 2001 and 2000, respectively.

Stock Options and SAR. The following table shows all grants of options to Messrs. Dillon, Cherry, and Sullivan in 2001:

Option/SAR Grants in Last Fiscal Year

	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term	
Name	Options Granted (#) (1)	% of Total Options Granted to Employees in Fiscal Year	Exercise or Base Price ($/Sh)	Expiration Date	5% ($)	10% ($)
Larry G. Dillon	3,500	6.23%	$19.05	12/17/11	$41,932	$106,263
Thomas F. Cherry	2,500	4.45%	19.05	12/17/11	29,951	75,902
Gari B. Sullivan	2,000	3.56%	19.05	12/17/11	23,961	60,722

/(1)/ Vesting is as follows: 100% on December 18, 2006.

Option/SAR Exercises and Holdings. The following table shows stock options exercised by Messrs. Dillon, Cherry, and Sullivan in 2001.

Aggregated Option/SAR Exercises in Last Fiscal Year and FY-End Options/SAR Values

Name	Shares Acquired on Exercise (#)	Value Realized ($)	Number of Unexercised Options at December 31, 2001 (#) Exercisable/ Unexercisable	Value of Unexercised In-the-Money Options at December 31, 2001($) Exercisable/ Unexercisable
Larry G. Dillon	2,000	$18,000	17,700/ 10,500	$141,613/ 28,700
Thomas F. Cherry	--	--	5,500/ 7,500	30,313/ 20,500
Gari B. Sullivan	3,000	15,700	2,700/ 6,000	11,063/ 16,400

Change in Control Agreements

The Company has entered into "change in control agreements" with Mr. Dillon and Mr. Cherry. The agreement for Mr. Dillon provides certain payments and benefits in the event of a termination of his employment by the Company without "cause," or by Mr. Dillon for "good reason," during the period beginning on the occurrence of a "change in control" (as defined in the agreement) of the Company and ending sixty-one days after the second anniversary of the change in control date. In such event, Mr. Dillon would be entitled (i) to receive in 12 consecutive quarterly installments, or in a lump sum, two and one-half times the sum of his highest aggregate annual base salary during the 24 month period preceding the change in control date and his highest aggregate annual bonus for the three fiscal years preceding the change in control date; (ii) for a period of three years following termination, to receive continuing health insurance, life insurance, split-dollar insurance, and similar benefits under the Company's welfare benefit plans and to have the three year period credited as service towards completion of any service requirement for retiree coverage under the Company's welfare benefit plans; and (iii) if Mr. Dillon requests within one year after his termination to have the Company acquire his residence for its appraised fair market value.

The agreement for Mr. Cherry provides certain payments and benefits in the event of a termination of his employment by the Company without "cause," or by Mr. Cherry for "good reason," during the period beginning on the occurrence of a "change in control" (as defined in the agreement) of the Company and ending sixty-one days after the first anniversary of the change in control date. In such event, Mr. Cherry would be entitled (i) to receive in four consecutive quarterly installments, or in a lump sum, the sum of his highest aggregate annual base salary during the 24 month period preceding the change in control date and his highest aggregate annual bonus for the three fiscal years preceding the change in control date; and (ii) for a period of one year following termination, to receive continuing health insurance, life insurance, and similar benefits under the Company's welfare benefit plans and to have the one year period credited as service towards completion of any service requirement for retiree coverage under the Company's welfare benefit plans.

During the term of the agreements following a change in control, Mr. Dillon or Mr. Cherry may voluntarily terminate his employment and become entitled to these payments and benefits under certain circumstances. These circumstances include, but are not limited to, a material adverse change in his position, authority, or responsibilities, or a reduction in his rate of annual base salary, benefits (including incentives, bonuses, stock compensation, and retirement and welfare plan coverage), or other perquisites as in effect immediately prior to the change in control date.

Payments and benefits provided under the agreements will be reduced, if and to the extent necessary, so that Mr. Dillon and Mr. Cherry will not be subject to a federal excise tax on, and the Company will not be denied an income tax deduction on account of having made, excess parachute payments.

Employee Benefit Plans

The Bank has a Non-Contributory Defined Benefit Retirement Plan (the "Retirement Plan") covering substantially all employees who have reached the age of 21 and have been fully employed for at least one year. The Retirement Plan provides participants with retirement benefits related to salary and years of credited service. Employees become vested after five plan years of service, and the normal retirement date is the plan anniversary date nearest the employee's 65th birthday. The Retirement Plan does not cover directors who are not active employees. The amount expensed for the Retirement Plan during the year ended December 31, 2001, was $177,672.

The following table shows the estimated annual retirement benefits payable to employees in the average annual salary and years of service classifications set forth below assuming retirement at the normal retirement age of 65.

Consecutive Five-Year Average Salary	Years of Credited Service 15	20	25	30	35
$ 25,000	$ 4,688	$ 6,250	$ 7,813	$ 8,750	$ 9,688
40,000	7,815	10,420	13,025	14,630	16,235
55,000	12,315	16,420	20,525	23,255	25,985
75,000	18,315	24,420	30,525	34,755	38,985
100,000	25,815	34,420	43,025	49,130	55,235
125,000	33,315	44,420	55,525	63,505	71,485
150,000	40,815	54,420	68,025	77,880	87,735
170,000	46,815	62,420	78,025	89,380	100,735

Benefits under the Retirement Plan are based on a straight life annuity assuming full benefit at age 65, no offsets, and covered compensation of $35,400 for a person age 65 in 2000. Compensation is currently limited to $170,000 by the Internal Revenue Code, but is anticipated to increase to $200,000, effective October 1, 2002. The estimated annual benefit payable under the Retirement Plan upon retirement is $90,511, $58,109, and $24,033 for Messrs. Dillon, Cherry, and Sullivan, respectively, credited with 40 years of service for Messrs. Dillon and Cherry and 15 years of service for Mr. Sullivan. Benefits are estimated on the basis that they will continue to receive, until age 65, covered salary in the same amount paid in 2001.

Compensation Committee Report on Executive Compensation

The Compensation Committee (the "Committee"), which is composed of non-employee Directors of the Company and the Bank listed below, recommends to the Board of Directors of the Bank (the "Bank Board") the annual salary levels and any bonuses to be paid to the Bank's executive officers. The Committee also makes recommendations to the Bank Board regarding the issuance of stock options and other compensation related matters.

Currently, the individuals serving as Chief Executive Officer and executive officers of the Company also serve in the same capacities, respectively, for the Bank. These officers are presently compensated for services rendered by them to the Bank, but not for services rendered by them to the Company.

The primary objective of the Bank's executive compensation program is to attract and retain highly skilled and motivated executive officers who will manage the Bank in a manner that will promote its growth and profitability and advance the interest of the Company's shareholders. As such, the compensation program is designed to provide levels of compensation which are reflective of both the individual's and the organization's performance in achieving the organization's goals and objectives, both financial and non-financial, and in helping to build value for the Company's shareholders. Based on its evaluation of these factors, the Committee believes that the executive officers are dedicated to achieving significant improvements in long-term financial performance and that the compensation plans the Committee has implemented and administered have contributed to achieving this management focus.

The principal elements of the Bank's compensation program include base annual salary, split-dollar insurance participation, short-term incentive compensation under the Bank's Management Incentive Bonus Plan (detailed below), long-term incentives through the grants of stock options under the Incentive Plan (detailed below), and employer contributions under the amended Executive's Deferred Compensation Plan (detailed below).

The Bank adopted a Management Incentive Bonus Plan (the "Bonus Plan") effective January 1, 1987. The Bonus Plan is offered to selected members of management. The bonus is derived from a pool of funds determined by the Bank's total performance relative to (1) prescribed growth rates of assets and deposits, (2) return on average assets, and (3) absolute level of net income. Attainment, 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 is done by the Bank Board. Payment of the bonus is based on individual performance and paid in cash as a percentage of the respective individual's base salary. Expense is accrued in the year of the specified performance.

The Company adopted the 1994 Incentive Stock Option Plan (the "Incentive Plan") effective May 1, 1994. The Incentive Plan was amended by the Company on February 15, 2000. The Incentive Plan makes available up to 500,000 shares of common stock for awards to key employees of the Company and its subsidiaries in the form of stock options, stock appreciation rights, and restricted stock. The purpose of the Incentive Plan is to promote the success of the Company and its subsidiaries by providing incentives to key employees that will promote the identification of their personal interests with the long term financial success of the Company and with growth in shareholder value. The Incentive Plan is designed to provide flexibility to the Company in its ability to motivate, attract, and retain the services of key employees upon whose judgment, interest, and special effort the successful conduct of its operation is largely dependent.

In considering compensation for the Chief Executive Officer and the other executive officers, the Committee relied on compensation surveys and an evaluation of the officers' levels of responsibility and performance. In 2000, the Committee used the following compensation surveys to assist in developing its recommendation on compensation for 2001: the SNL Executive Compensation Review; the Sheshunoff Bank Executive and Director Compensation Survey; and the Virginia Bankers Association's Salary Survey of Virginia Banks. The Committee believes that these are relevant and appropriate indicators of compensation paid by the Bank's competitors. The Committee received an evaluation by the Chief Executive Officer of the performance of the executive officers (other than the Chief Executive Officer) during 2000. The Committee evaluated the performance of the Chief Executive Officer based on the financial performance of the Company and the Bank, achievements in implementing the Bank's long-term strategy, and the personal observations of the Chief Executive Officer's performance by the members of the Committee. No particular weight was given to any one aspect of the performance of the Chief Executive Officer, but his performance in 2000 was evaluated as outstanding, with the Company and the Bank achieving earnings in excess of its peer group and significant progress being made on the Bank's long-term strategy.

Based on the salary surveys and the performance evaluations, the Committee generally set base annual salaries for the Chief Executive Officer and the other executive officers in the median range of salaries contained in the various surveys for comparable positions.

The Committee also reviews each executive officer's performance and responsibility to assess the payment of short-term incentive compensation. The Committee uses the compensation surveys and considers the performance of the Bank relative to its peer group, taking into consideration profit growth, asset growth, return on equity, and return on assets. No particular weight is given to each of these elements. The cash bonuses were given based upon the role of such officers in the growth and profitability of the Bank in 2001.

Each year, the Committee also considers the desirability of granting long-term incentive awards under the Company's Incentive Plan. The Committee believes that grants of options focus the Bank's senior management on building profitability and shareholder value. The Committee notes in particular its view that stock option grants afford a desirable long-term compensation method because they closely ally the interest of management with shareholder value. In fixing the grants of stock options with the senior management group, other than the Chief Executive Officer, the Committee reviewed with the Chief Executive Officer recommended individual awards, taking into account the respective scope of responsibility and contributions of each member of the senior management group. The award to the Chief Executive Officer was fixed separately and was based, among other things, on the review of competitive compensation data from selected peer companies and information on his total compensation, as well as, the Committee's perception of his past and expected future contributions to the Company's achievement of its long-term goals.

For 2000 and ensuing years, the Committee determined that additional retirement funding for select executives is appropriate and should be provided by amending its non-qualified defined contribution plan known as the Executive's Deferred Compensation Plan (which previously only provided for elective salary and bonus deferrals). These employer contributions are in the form of additional retirement contributions to make up for arbitrary limitations on covered compensation imposed by the Internal Revenue Code with respect to the Bank's Profit Sharing / 401(k) Plans and to enhance retirement benefits by providing supplemental contributions from time to time on such basis as the Committee and the Board determine.

Compensation Committee

J. P. Causey Jr. - Chairman
Barry R. Chernack
James H. Hudson III
Thomas B. Whitmore Jr.

Compensation Committee Interlocks and Insider Participation

During 2001 and up to the present time, there were transactions between the Company's banking subsidiary and certain members of the Compensation Committee or their associates, all consisting of extensions of credit by the Bank in the ordinary course of business. Each transaction was made on substantially the same terms, including interest rates, collateral and repayment terms, as those prevailing at the time for comparable transactions with the general public. In the opinion of management, none of the transactions involved more than the normal risk of collectibility or present other unfavorable features.

None of the members of the Compensation Committee has served as an officer or employee of the Company or any of its affiliates. No director may serve as a member of the Committee if he is eligible to participate in the Incentive Plan or was at any time within one year prior to his appointment to the Committee eligible to participate in the Incentive Plan.

Report of the Audit Committee

The Audit Committee of the Board of Directors of the Company (the "Board"), which consists entirely of directors who meet the independence requirements of Rule 4200(a)(15) of the National Association of Securities Dealers listing standards, has furnished the following report:

The Audit Committee assists the Board in overseeing and monitoring the integrity of the Company's financial reporting process, its compliance with legal and regulatory requirements and the quality of its internal and external audit processes. The role and responsibilities of the Audit Committee are set forth in a written Charter adopted by the Board. The Audit Committee reviews and reassesses the Charter annually and recommends any changes to the Board for approval.

The Audit Committee is responsible for overseeing the Company's overall financial reporting process. In fulfilling its oversight responsibilities for the financial statements for fiscal year 2001, the Audit Committee:

. Reviewed and discussed the audited financial statements for the fiscal year ended December 31, 2001 with management and Yount, Hyde & Barbour, P.C. ("YHB"), the Company's independent accountants;

. Discussed with YHB the matters required to be discussed by Statement on Auditing Standards No. 61 relating to the conduct of the audit; and

. Received written disclosures and the letter from YHB regarding its independence as required by Independence Standards Board Standard No. 1. The Audit Committee discussed with YHB their independence.

The Audit Committee also considered the status of pending litigation, taxation matters and other areas of oversight relating to the financial reporting and audit process that the Audit Committee determined appropriate.

In performing all of these functions, the Audit Committee acts only in an oversight capacity. The Audit Committee does not complete its reviews prior to the Company's public announcements of financial results. Also, in its oversight role, the Audit Committee relies on the work and assurances of the Company's management, which has the primary responsibility for financial statements and reports, and of the independent auditors, who, in their report, express an opinion on the conformity of the Company's annual financial statements to generally accepted accounting principles.

Based on the Audit Committee's review of the audited financial statements and discussions with management and YHB, the Audit Committee recommended to the Board that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001 for filing with the Securities and Exchange Commission.

Audit Committee

Barry R. Chernack, Chairman
J. P. Causey Jr
Joshua H. Lawson
William E. O'Connell Jr.
Paul C. Robinson

Principal Accounting Fees

Audit Fees. During 2001, the Company paid its principal accounting firm, Yount, Hyde & Barbour, P.C., $55,500 in audit fees including reviews of Form 10-Qs and Form 10-K. The Company paid Yount, Hyde & Barbour, P.C. an additional $19,100 for other services. These primarily consist of fees for tax matters, employee benefit financial statement audits and compliance attestation services. The Audit Committee has reviewed such services and does not believe they impair the independence of Yount Hyde & Barbour, P. C.

Financial Information System Design and Implementation Fees. The Company paid no fees to Yount, Hyde & Barbour, P.C. for services regarding financial information system design and implementation.

Performance Graph

The following graph compares the yearly cumulative total shareholder return on the Company's common stock with (1) the yearly cumulative total shareholder return on stocks included in the NASDAQ stock index and (2) the yearly cumulative total shareholder return on stocks included in the Independent Bank Index prepared by the Carson Medlin Company. The Independent Bank Index is the compilation of the total return to shareholders over the past five years of a group of twenty-three independent community banks located in the southeastern states of Alabama, Florida, Georgia, North Carolina, South Carolina, Tennessee, Virginia, and West Virginia.

There can be no assurance that the Company's stock performance will continue into the future with the same or similar trends depicted in the graph below.

C&F FINANCIAL CORPORATION
Five Year Performance Index

[GRAPH]

	1996	1997	1997	1999	2000	2001
C&F FINANCIAL CORPORATION	100	143	211	198	174	247
INDEPENDENT BANK INDEX	100	148	154	140	139	165
NASDAQ INDEX	100	122	173	321	193	153

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires directors, executive officers, and 10% beneficial owners of the Company's common stock to file reports concerning their ownership of common stock. The Company believes that its officers and directors complied with all filing requirements under Section 16(a) of the Securities Exchange Act of 1934 during 2001.

PROPOSAL TWO
RATIFICATION OF APPOINTMENT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Board of Directors, subject to ratification by the shareholders, has appointed Yount, Hyde & Barbour, P.C. as independent public accountants for the current fiscal year ending December 31, 2002.

A representative of Yount, Hyde & Barbour, P.C. will be present at the Annual Meeting and will be given the opportunity to make a statement and respond to appropriate questions from the shareholders. Unless marked to the contrary, the shares represented by the enclosed proxy card, if executed and returned, will be voted FOR the ratification of the appointment of Yount, Hyde & Barbour, P.C. as the independent public accountants of the Company.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" RATIFICATION OF THE APPOINTMENT OF YOUNT, HYDE & BARBOUR, P.C. AS INDEPENDENT PUBLIC ACCOUNTANTS.

OTHER BUSINESS

As of the date of this Proxy Statement, management of the Company has no knowledge of any matters to be presented for consideration at the Annual Meeting other than those referred to above. If any other matters properly come before the Annual Meeting, the persons named in the accompanying proxy intend to vote such proxy, to the extent entitled, in accordance with their best judgment.

SHAREHOLDER PROPOSALS FOR 2003 ANNUAL MEETING

If any shareholder intends to present a proposal to be considered for inclusion in the Company's proxy materials in connection with the 2003 Annual Meeting, the proposal must be in proper form and must be received by the Company's Secretary, at the Company's principal office in West Point, Virginia, on or before November 15, 2002. In addition, if a shareholder intends to present a proposal for action at the 2003 Annual Meeting, the shareholder must provide the Company with notice thereof on or before January 29, 2003, by delivering such notice to the Company's Secretary.

By Order of the Board of Directors,

/s/ Gari B. Sullivan

Gari B. Sullivan
Secretary

West Point, Virginia
March 15, 2002

A copy of the Company's Annual Report on Form 10-K Report (including exhibits) as filed with the Securities and Exchange Commission for the year ended December 31, 2001, will be furnished without charge to shareholders upon written request directed to the Company's Secretary as set forth on the first page of this Proxy Statement.

C&F FINANCIAL CORPORATION

This Proxy is solicited on behalf of the Board of Directors

The undersigned hereby appoints Larry G. Dillon and James H. Hudson III, jointly and severally as proxies, with full power to act alone, and with full power of substitution to represent the undersigned, and to vote all shares of the Company standing in the name of the undersigned as of February 26, 2002, at the annual meeting of shareholders to be held Tuesday, April 16, 2002 - 3:30 p.m. at the Father van den Boogaard Center, 3510 King William Avenue, West Point, Virginia, or any adjournments thereof, on each of the following matters. This proxy, when properly executed, will be voted in the manner directed by the undersigned shareholder. If no direction is made, this proxy will be voted FOR each proposal and on other matters at the discretion of the proxy agents.

(Continued and to be signed on Reverse Side)

Please sign, date and mail your proxy card back as soon as possible!

Annual Meeting of Shareholders
C&F FINANCIAL CORPORATION

April 16, 2002

. Please Detach and Mail in the Envelope Provided .

A [X] Please mark your votes as in this example.

	FOR all nominees (except as marked to the contrary below).	WITHHELD from all nominees.	
1. To elect Three Class III directors to serve until the 2000 Annual Meeting of Shareholders, or until their successors are elected and qualified, as instructed below.	[_]	[_]	Nominees: J.P. Causey Jr. Barry R. Chernack William E. O'Connell Jr.

(Instruction: To withhold authority to vote for any nominees(s), write that nominee(s) name on the space provided below.)

____

	FOR	AGAINST	ABSTAIN
2. Proposal to ratify the appointment of Yount, Hyde & Barbour, P.C. as independent public accountants of the Company for 2002.	[_]	[_]	[_]

3. The transaction of any other business as may properly come before the Annual Meeting or any adjournment thereof. Management presently knows of no other business to be represented at the Annual Meeting.

Meeting Attendance

I plan to attend the annual meeting on Tuesday, April 16th, 2002 at the location printed on the back. I will also note the number of attendees.

Will Attend Meeting [_]   Will not Attend Meeting [_]

Number of Attendees

____

Signature____ ____ Dated: ________________, 2002

NOTE: Please sign your name(s) exactly as shown imprinted hereon. When shares are held by joint tenants, both should sign. When signing as attorney, executor, administrator, (trustee, or guardian, please give full title as such. If a corporation, please sign full corporate name by President or other authorized officer. If a partnership, please sign in partnership name by authorized person.
