

C & F FINANCIAL CORP  
Form 11-K  
June 28, 2004  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 11-K**

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(Mark One)

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

For the fiscal year end December 31, 2003

OR

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

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

Commission file number 000-23423

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

**Virginia Bankers Association Defined Contribution Plan for Citizens and Farmers Bank**

**802 Main Street**

**West Point, Virginia 23181**

**C&F Mortgage Corporation 401(k) Plan**

**1400 Alverser Drive**

**Midlothian, Virginia 23113**

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

**C & F Financial Corporation**

**802 Main Street**

**West Point, Virginia 23181**

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**VIRGINIA BANKERS ASSOCIATION DEFINED**

**CONTRIBUTION PLAN FOR**

**CITIZENS AND FARMERS BANK**

**West Point, Virginia**

**FINANCIAL REPORT**

**DECEMBER 31, 2003**

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**REPORT OF INDEPENDENT REGISTERED**

**PUBLIC ACCOUNTING FIRM**

To the Plan Administrator of the

Virginia Bankers Association Defined Contribution

Plan for Citizens and Farmers Bank

West Point, Virginia

We have audited the accompanying statements of net assets available for benefits of the Virginia Bankers Association Defined Contribution Plan for Citizens and Farmers Bank as of December 31, 2003 and 2002, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the Virginia Bankers Association Defined Contribution Plan for Citizens and Farmers Bank as of December 31, 2003 and 2002, and the changes in financial status for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets held for investment purposes as of December 31, 2003 is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the United States Department of Labor Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

YOUNT, HYDE & BARBOUR, P.C.

Winchester, Virginia

March 30, 2004

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

**Statements of Net Assets Available for Benefits**

December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
<b>Assets</b>		
<b>Investments, at fair value</b>	\$ 5,992,546	\$ 4,259,852
<b>Receivables:</b>		
Employer contribution	161,272	177,149
Other	2,066	1,248
<b>Total receivables</b>	<u>163,338</u>	<u>178,397</u>
<b>Cash</b>	<u>3,282</u>	<u>2,752</u>
<b>Total assets</b>	<u>6,159,166</u>	<u>4,441,001</u>
<b>Liabilities</b>		
Excess contribution refund	<u>2,000</u>	
<b>Net assets available for benefits</b>	<u>\$ 6,157,166</u>	<u>\$ 4,441,001</u>

See Notes to Financial Statements.

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

**Statements of Changes in Net Assets**

**Available for Benefits**

For the Years Ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
<b>Additions to net assets attributed to:</b>		
Investment income (loss):		
Net appreciation (depreciation) in fair value of investments	\$ 1,164,320	\$ (664,871)
Interest and dividends	69,713	80,474
	<u>1,234,033</u>	<u>(584,397)</u>
<b>Contributions:</b>		
Employer	401,694	376,062
Participant	380,086	316,289
Rollover contributions	27,583	
	<u>809,363</u>	<u>692,351</u>
<b>Total additions</b>	<u>2,043,396</u>	<u>107,954</u>
<b>Deductions from net assets attributed to:</b>		
Benefits paid to participants	298,243	144,349
Administrative expenses	28,988	26,366
	<u>327,231</u>	<u>170,715</u>
<b>Net increase (decrease)</b>	<u>1,716,165</u>	<u>(62,761)</u>
<b>Net assets available for benefits:</b>		
Beginning of period	4,441,001	4,503,762
End of period	<u>\$ 6,157,166</u>	<u>\$ 4,441,001</u>

See Notes to Financial Statements.



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

**Notes to Financial Statements**

**Note 1. Description of the Plan**

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

**General**

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

**Contributions**

Each year, participants may contribute up to 15% of pretax annual compensation, as defined in the Plan. Participants who have attained age 50 before the end of the Plan year are eligible to make catch-up contributions. Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans. Participants direct the investment of their contributions into various investment options offered by the Plan. The Bank matches 100% of the first 5% of compensation that a participant contributes to the Plan. The Bank may also make a discretionary profit sharing contribution, determined annually by its Board of Directors. This contribution is allocated in proportion to a participant's covered compensation to covered compensation of all participants. Discretionary profit sharing contributions declared or made by the Bank were \$161,272 and \$177,149 during the plan years ended December 31, 2003 and 2002, respectively. Contributions are subject to certain limitations as established by the Code.

**Participants' Accounts**

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

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**Notes to Financial Statements**

**Vesting**

Participants are vested immediately in their contributions plus actual earnings thereon. Vesting in the portion of their accounts contributed by the Bank is based on years of continuous service. A participant is 100% vested after six years of credited service.

**Investment Options**

All assets in the Plan are directed by individual participants. Participants are given the option to direct account balances and all contributions made into over 20 separate investment options consisting of managed, indexed or individual equity or fixed income funds.

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

**Participant Loans**

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

**Payment of Benefits**

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

**Forfeited Accounts**

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As of December 31, 2003 and 2002, forfeited nonvested account balances totaled \$14,958 and \$31,895, respectively, which are allocated to remaining participants' accounts.

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**Notes to Financial Statements**

**Note 2. Summary of Accounting Policies**

**Basis of Accounting**

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

**Use of Estimates**

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

**Investment Valuation and Income Recognition**

The Plan's investments are stated at fair value. Quoted market prices are used to value investments. Shares of mutual funds are valued at the net asset value of shares held by the Plan at year end. Common stock is stated at the fair value determined by quoted market prices. Participant loans are valued at their outstanding balances, which approximate fair value.

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

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

**Benefit Payments**

Benefit payments are recorded when paid.

**Note 3. Plan Termination**

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

**Table of Contents****Notes to Financial Statements****Note 4. Investments**

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

	<b>December 31, 2003</b>
ABN/AMRO Growth Fund	\$ 732,137
Davis New York Venture Class A Fund	741,260
Federated Cap Appreciation Fund	494,498
Fidelity Spartan U.S. Equity Index Fund	694,050
First Eagle Overseas Class A Fund	343,930
Met Managed GIC ABG Trust Fund	595,822
Oppenheimer Global Fund	318,205
PIMCO Renaissance Class D Fund	344,028
PIMCO Total Return II Administrative Fund	403,881
C&F Financial Corporation Employer Common Stock	410,141
	<b>December 31, 2002</b>
Fidelity Spartan U.S. Money Market Fund	\$ 435,226
Davis New York Venture Class A Fund	492,441
PIMCO Renaissance Class D Fund	299,242
ABN/AMRO Chicago Cap	555,457
Federated Cap Appreciation Fund	318,391
Goldman Sachs Fund	296,152
Liberty Acorn Fund	387,273
Oppenheimer Global Fund	224,837
PIMCO Total Return II Administrative Fund	269,379
First Eagle Sogen Overseas Class A Fund	242,788

During the Plan years ended December 31, 2003 and 2002, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated (depreciated) in value by \$1,164,320 and \$(664,871), as follows:

	<b>December 31,</b>	
	<b>2003</b>	<b>2002</b>
Employer Common Stock	\$ 127,592	\$ 34,593
Registered Investment Companies	1,036,728	(699,464)
	<b>\$ 1,164,320</b>	<b>\$ (664,871)</b>



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**Notes to Financial Statements**

**Note 5. Tax Status**

The Internal Revenue Service has determined and informed the trustee/administrator by a letter dated June 9, 2004, that the master Plan and related trust are designed in accordance with applicable sections of the Internal Revenue Code (IRC). The Plan administrator and the Plan's tax counsel believe that the Plan is designed and currently being operated in compliance with the applicable requirements of the IRC.

**Note 6. Related-Party Transactions**

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

**Note 7. Administrative Expenses**

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

**Note 8. Risks and Uncertainties**

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statement of net assets available for benefits.

**Note 9. Reconciliation of Financial Statements to Form 5500**

Financial information reported on the 2003 and 2002 Form 5500, Annual Return/Report of Employee Benefit Plan differs from the Plan's financial statement as follows:

2003	
<b>Net Assets Available</b>	<b>Net Increase (Decrease)</b>
<b>for Benefits</b>	<b>in Net Assets Available</b>



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		<u>for Benefits</u>
Balance per financial statements	\$ 6,157,166	\$ 1,716,165
Plus benefits payable at December 31, 2002		20,855
	<u>                    </u>	<u>                    </u>
As reported on Form 5500	\$ 6,157,166	\$ 1,737,020
	<u>                    </u>	<u>                    </u>

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**Notes to Financial Statements**

	<b>2002</b>	
	<b>Net Assets Available</b>	<b>Net Increase (Decrease) in Net Assets Available</b>
	<b>for Benefits</b>	<b>for Benefits</b>
Balance per financial statements	\$ 4,441,001	\$ (62,761)
Less benefits payable at December 31, 2002	(20,855)	(20,855)
As reported on Form 5500	<u>\$ 4,420,146</u>	<u>\$ (83,616)</u>

**Table of Contents****FOR CITIZENS AND FARMERS BANK****Schedule of Assets Held for Investment Purposes**

December 31, 2003

<b>Description of Asset/Identity of Issue</b>	<b>Fair Value</b>
<b>Registered Investment Companies</b>	
ABN/AMRO Growth Fund	\$ 732,137
Ariel Fund	186,532
Calamos Growth Class A Fund	217,817
Columbia Acorn Class A Fund	243,087
Davis New York Venture Class A Fund	741,260
Federated Cap Appreciation Fund	494,498
Fidelity Cash Reserves Fund	1,100
Fidelity Instl Cash Portfolio Fund	19,157
Fidelity Spartan Total Market Index Fund	12,356
Fidelity Spartan U.S. Equity Index Fund	694,050
Fidelity Spartan U.S. Money Market Fund	14,958
Fidelity U.S. Bond Index Fund	15,470
First Eagle Overseas Class A Fund	343,930
Janus High Yield Bond Fund	173,683
Managers Bond Index Fund	2,897
Met Managed GIC ABG Trust Fund	595,822
Oppenheimer Developing Markets Class A Fund	238
Oppenheimer Global Fund	318,205
PIMCO Renaissance Class D Fund	344,028
PIMCO Total Return II Administrative Fund	403,881
	<u>5,555,106</u>
<b>Common Stock</b>	
C&F Financial Corporation - Employer Common Stock	410,141
<b>Loan</b>	
Participant notes	27,299
<b>Total assets held for investment</b>	<u>\$ 5,992,546</u>

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**C&F MORTGAGE CORPORATION 401(K) PLAN**

**Midlothian, Virginia**

**FINANCIAL REPORT**

**DECEMBER 31, 2003**

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**REPORT OF INDEPENDENT REGISTERED  
PUBLIC ACCOUNTING FIRM**

To the Plan Administrator of

C&F Mortgage Corporation 401(k) Plan

Midlothian, Virginia

We have audited the accompanying statements of net assets available for benefits of the C&F Mortgage Corporation 401(k) Plan (the Plan) as of December 31, 2003 and 2002, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the Plan as of December 31, 2003 and 2002, and the changes in financial status for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets held for investment purposes as of December 31, 2003 is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the United States Department of Labor Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Yount, Hyde & Barbour, P.C.

YOUNT, HYDE & BARBOUR, P.C.

Winchester, Virginia

March 31, 2004



**Table of Contents****C&F MORTGAGE CORPORATION 401(K) PLAN****Statements of Net Assets Available for Benefits**

December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
<b>Assets</b>		
<b>Investments, at fair value</b>	\$ 5,142,786	\$ 2,566,995
<b>Receivables:</b>		
Employer contribution	644,406	465,326
Employee deferrals	2,677	1,978
Dividends	2,488	1,619
<b>Total receivables</b>	<u>649,571</u>	<u>468,923</u>
<b>Cash</b>	<u>14,085</u>	<u>9,495</u>
<b>Net assets available for benefits</b>	<u>\$ 5,806,442</u>	<u>\$ 3,045,413</u>

See Notes to Financial Statements.



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**C&F MORTGAGE CORPORATION 401(K) PLAN**

**Statements of Changes in Net Assets**

**Available for Benefits**

For the Years Ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
<b>Additions to net assets attributed to:</b>		
Investment income (loss):		
Net appreciation (depreciation) in fair value of investments	\$ 1,036,042	\$ (371,260)