



ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

C&F Financial Corporation

Person to be contacted regarding this report:	Thomas F. Cherry	RSSD: (For Bank Holding Companies)	928421
CPP Funds Received:	\$20,000,000	Holding Company Docket Number: (For Thrift Holding Companies)	
CPP Funds Repaid to Date:	\$0	FDIC Certificate Number: (For Depository Institutions)	10363
Date Funded (first funding):	1/9/2009	City:	West Point
Date Repaid ¹ :		State:	Virginia

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

<input checked="" type="checkbox"/>	Increase lending or reduce lending less than otherwise would have occurred.	C&F Financial Corporation ("Corporation") was able to increase lending in certain business segments and reduce lending less due to the CPP investment. The Corporation continues to seek prudent lending opportunities with current and prospective customers.
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<input checked="" type="checkbox"/> To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	<p>Through C&F Mortgage Corporation, the Corporation increased residential mortgage lending in 2009 year-over-year. Through C&F Finance Company, the Corporation increased its automobile loan portfolio at year-end 2009 versus a year prior.</p>
<input checked="" type="checkbox"/> Increase securities purchased (ABS, MBS, etc.).	<p>Through C&F Bank, the Corporation increased purchases in securities in 2009 year-over-year. Specifically, C&F Bank increased purchases in municipal, Government Agency and mortgage-backed securities.</p>
<input checked="" type="checkbox"/> Make other investments	<p>Through C&F Bank, the Corporation continued to support community redevelopment activities through a \$1MM commitment to a low income housing tax credit fund. The Corporation had made previous investments in such funds and continues to do so.</p>
<input checked="" type="checkbox"/> Increase reserves for non-performing assets	<p>The Corporation increased reserves for non-performing assets in each of its business segments. The CPP investment alleviated concerns about the reduction in capital from increasing reserves, thereby allowing loan fundings and securities purchases to continue in a normal fashion.</p>

☒	Reduce borrowings	The Corporation was able to reduce borrowings as the CPP investment was included in the total liquidity of the Corporation. Borrowings were reduced as compared to what otherwise would have been required to support loan fundings and mitigate fluctuations in deposit balances.
☒	Increase charge-offs	The Corporation had a higher level of charge-offs at C&F Bank and C&F Mortgage Corporation. The CPP investment alleviated concerns about the reduction in capital from increasing charge-offs, thereby allowing loan fundings and securities purchases to continue in a normal fashion.
☒	Purchase another financial institution or purchase assets from another financial institution	Through C&F Finance Company, the Corporation purchased a \$5MM pool of auto loans from a distressed lender. This investment augmented the Corporation's lending to this consumer market segment and provided liquidity to another lender through monetizing these assets.
☒	Held as non-leveraged increase to total capital	The CPP investment increased capital levels of the Corporation thereby supporting consistent lending activities and securities purchases in each of its business segments.

What actions were you able to avoid because of the capital infusion of CPP funds?

The Corporation was able to avoid 1) reducing lending activity, 2) reducing securities purchases, 3) forgoing other investments, 4) concerns regarding capital as a result of increases in reserves for non-performing assets and charge-offs, 5) increasing borrowings, and 6) forgoing asset purchases. Further, the Corporation was able to avoid reductions in its support of the local markets in which it serves through continued capital expenditures, charitable contributions, and investments in its human resources.

What actions were you able to take that you may not have taken without the capital infusion of CPP funds?

The Corporation was able to 1) increase lending activities in certain business segments 2) reduce lending less than otherwise would have occurred, 2) increase securities purchases, 3) make other investments, 4) increase reserves for non-performing assets and charge-offs and remain well-capitalized, 5) reduce borrowings, and 6) increase asset purchases. Further, the Corporation was able to continue to invest in the local markets in which it serves through consistent employment practices, capital expenditures to support its business initiatives, and continued charitable contributions. Specifically, C&F Bank was able to offer special programs and lending initiatives targeted towards providing liquidity to existing customers who are residential builders and developers and extending credit to potential home buyers. These programs provided credit promotions to potential customers at below market rates with limited down payment requirements and more flexible repayment terms than would otherwise be available. Further, C&F Bank offered its residential builder customers promotional credit programs for their potential customers that included lower rates and reduced or eliminated fees. C&F Finance Company continues to originate new auto loans in a time where many of its competitors have reduced or even ceased origination due to the weak economic environment and dislocations in the capital markets that have made securitization transactions difficult to execute. While mindful of the current recessionary economic environment and the impact on the non-prime consumer credit segment, C&F Finance continues to lend to customers in this segment. C&F Mortgage Corporation increased loan production as refinancing activity was stimulated by the low mortgage rate environment and purchase activity was aided by the government stimulus programs. The Corporation in each of its business segments continues to work with customers who are struggling with their payments in an effort to avoid defaults, foreclosures, repossessions or would have otherwise been unable to refinance their debts. Such actions have included restructuring terms and conditions of existing loans and agreeing to extend or renew credit facilities that had matured.

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.

Through the infusion of CPP funds, the Corporation's already well-capitalized status has been enhanced. This has allowed the Corporation through its business segments to provide products and programs that otherwise might not have been offered. New products and programs have been created to enhance lending activity and help customers. The Corporation has been and will continue to be willing to work with customers who are struggling with their payments in an effort to avoid foreclosure or repossession.

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 1505-0222. The time required to complete this information collection is estimated to average 80 hours per response.