

C & F FINANCIAL CORP
Form DEF 14A
March 15, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934

Filed by the Registrant

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))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under §240.14a-12

C&F FINANCIAL CORPORATION

(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):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) 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):

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

C&F Financial Corporation
802 Main Street
P.O. Box 391
West Point, Virginia 23181

Dear Fellow Shareholders:

You are cordially invited to attend the 2017 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 18, 2017, at 3:30 p.m. at C&F Financial Corporation, 3600 LaGrange Parkway, Toano, 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 (provided that, if you hold your shares through a bank, broker or other holder of record and you wish to vote in person, you must obtain a legal proxy or broker's proxy card and bring it to the Annual Meeting as proof of your authority to vote the shares).

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

Sincerely,

Larry G. Dillon
Chairman & Chief Executive Officer

West Point, Virginia

March 15, 2017

C&F FINANCIAL CORPORATION

802 Main Street

P.O. Box 391

West Point, Virginia 23181

NOTICE OF 2017 ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD APRIL 18, 2017

The 2017 Annual Meeting of Shareholders of C&F Financial Corporation (the "Corporation") will be held at C&F Financial Corporation, 3600 LaGrange Parkway, Toano, Virginia, on Tuesday, April 18, 2017, at 3:30 p.m. for the following purposes:

1. To elect one Class II director to the Board of Directors of the Corporation to serve until the 2019 Annual Meeting of Shareholders and four Class III directors to serve until the 2020 Annual Meeting of Shareholders, as described in the Proxy Statement accompanying this Notice.
2. To approve, in an advisory, non-binding vote, the compensation of the Corporation's named executive officers disclosed in the Proxy Statement.
3. To ratify the appointment of Yount, Hyde & Barbour, P.C. as the Corporation's independent registered public accountant for the fiscal year ending December 31, 2017.
4. 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 March 3, 2017, are entitled to notice of and to vote at the Annual Meeting or any adjournment thereof.

By Order of the Board of Directors,

Thomas F. Cherry
Secretary

March 15, 2017

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. 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 (provided that, if you hold your shares through a bank, broker or other holder of record and you wish to vote in person, you must obtain a legal proxy or broker's proxy card and bring it to the Annual Meeting as proof of your authority to vote the shares).

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C&F FINANCIAL CORPORATION

802 Main Street

P.O. Box 391

West Point, Virginia 23181

PROXY STATEMENT

2017 ANNUAL MEETING OF SHAREHOLDERS

April 18, 2017

The following information is furnished in connection with the solicitation by and on behalf of the Board of Directors (the “Board”) of the enclosed proxy to be used at the 2017 Annual Meeting of Shareholders (the “Annual Meeting”) of C&F Financial Corporation (the “Corporation”) to be held Tuesday, April 18, 2017, at 3:30 p.m. at C&F Financial Corporation, 3600 LaGrange Parkway, Toano, Virginia. The approximate mailing date of this Proxy Statement and accompanying proxy is March 15, 2017.

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to Be Held on April 18, 2017

The Notice of 2017 Annual Meeting of Shareholders, this Proxy Statement, form of proxy and the 2016 Annual Report to Shareholders are available on the internet at the following website:
<http://www.astproxyportal.com/ast/08723/>.

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 Corporation 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 returns a signed proxy card but fails to specify how to vote his or her shares with respect to Proposals One, Two or Three, set forth in the accompanying Notice and further described herein, the proxy will be voted FOR the director nominees named in Proposal One, FOR Proposal Two to provide advisory, non-binding approval of the compensation of the Corporation's named executive officers, and FOR Proposal Three to ratify the appointment of Yount, Hyde & Barbour, P.C. ("YHB") as the Corporation's independent registered public accountant for the fiscal year ending December 31, 2017.

If you hold your shares through a bank, broker or other holder of record, and you plan to vote in person at the Annual Meeting, you should contact your bank, broker or agent to obtain a legal proxy or broker's proxy card and bring it to the meeting as proof of your authority to vote the shares. If you hold your shares through a bank, broker or other holder of record, you should contact your bank, broker or agent to revoke your proxy or change your vote.

Directions to Annual Meeting

To obtain directions to attend the Annual Meeting and vote in person, please contact the Secretary of the Corporation at (757) 741-2200.

Voting Rights of Shareholders

Only those common shareholders of record at the close of business on March 3, 2017, are entitled to notice of and to vote at the Annual Meeting, or any adjournments thereof. The number of shares of Corporation common stock outstanding and entitled to vote at the Annual Meeting is 3,485,277. The Corporation has no other class of voting 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 Corporation common stock entitles the record holder thereof to one vote for each matter to be voted upon at the Annual Meeting. Shares for which the holder has elected to abstain or to withhold the proxies' authority to vote (including broker non-votes) on a matter will count toward a quorum, but will not be included in determining the number of votes cast with respect to such matter.

With regard to the election of directors, votes may be cast in favor or withheld. If a quorum is present, the five nominees receiving the greatest number of affirmative votes cast at the Annual Meeting, even if less than a majority, will be elected directors; therefore, votes withheld and broker non-votes will have no effect.

For all other proposals, votes may be cast in favor or against, or shareholders may abstain from voting. Approval of these other proposals (including the non-binding advisory vote to approve executive compensation and the ratification of the Corporation's independent registered public accountant) requires an affirmative vote of a majority of the votes cast on the matter. Thus, although abstentions and broker non-votes are counted for purposes of determining the presence or absence of a quorum, they generally do not count as votes cast and, therefore, will have no effect for purposes of determining whether such a matter has been approved.

Routine and Non-Routine Proposals

Applicable rules determine whether proposals presented at shareholder meetings are routine or non-routine. If a proposal is routine, a broker or other entity holding shares for an owner in street name generally may vote on the proposal without receiving voting instructions from the owner. If a proposal is non-routine, the broker or other entity generally may vote on the proposal only if the owner has provided voting instructions. A "broker non-vote" occurs when a broker or other entity returns a signed proxy card but does not vote shares on a particular proposal because the proposal is not a routine matter and the broker or other entity has not received voting instructions from the beneficial owner of the shares. The ratification of YHB as the Corporation's independent registered public accountant for the fiscal year ending December 31, 2017 is considered a routine matter, while the election of directors and the non-binding advisory vote to approve executive compensation are considered to be non-routine matters.

Solicitation of Proxies

The cost of solicitation of proxies will be borne by the Corporation. Solicitations will be made only by the use of the mail, except that officers and regular employees of the Corporation and Citizens and Farmers Bank (the "Bank") may make solicitations of proxies in person, by telephone or by mail, acting without compensation other than their regular compensation. We anticipate 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 Corporation will reimburse them for their charges and expenses in this connection. In addition, we may engage a proxy solicitor to assist in the solicitation of proxies to which we would pay customary fees and expenses.

Security Ownership of Certain Beneficial Owners and Management

The following table shows as of March 3, 2017, the beneficial ownership of the Corporation's common stock held by (a) each director and director nominee, (b) each named executive officer, and (c) all currently-serving directors and executive officers of the Corporation as a group.

Name	Amount and Nature of Beneficial Ownership(1)	Percent of Class
Julie R. Agnew	852 (2)	*
J. P. Causey Jr.	41,341 (2)	1.2 %
Barry R. Chernack	13,226 (2)	*
Thomas F. Cherry	33,035 (3)	1.0 %
S. Dustin Crone	11,992 (3)	*
Larry G. Dillon	44,997 (3)	1.3 %
Audrey D. Holmes	9,918 (2)	*
James H. Hudson III	11,457 (2)	*
Elizabeth R. Kelley	842 (2)	*
Joshua H. Lawson	35,611 (2)	1.0 %
Jason E. Long	2,725 (3)	*
Bryan E. McKernon	14,795 (3)	*
James T. Napier	2,305 (2)	*
C. Elis Olsson	10,265 (2)	*
Paul C. Robinson	12,129 (2)	*
John A. Seaman, III	4,412 (3)	*
All Directors and Executive Officers as a group (14 persons)	248,207	7.1 %

* Represents less than 1% of the total outstanding shares of the Corporation'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 ("Exchange Act") 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 60 days ("presently exercisable"). Except as otherwise indicated, each director or executive officer has sole voting and investment power with respect to the shares shown, and none of such shares are pledged.

(2) Includes 1,610 shares each of stock restricted as to sale or other transfer for Messrs. Causey, Chernack, Hudson, Lawson, Napier, Olsson and Robinson and Ms. Holmes. Also, includes 710 shares of stock restricted as to sale or transfer for Dr. Agnew and Ms. Kelley. A description of the plans under which these options and restricted shares of stock were issued is set forth below in "Director Compensation." Also includes 1,860 shares held by Mr. Olsson's

child, with respect to which shares Mr. Olsson has authority to make investment decisions, 1,860 shares held by Mr. Olsson's child, over which Mr. Olsson shares voting and investment power, and 500 shares held in a family trust, of which Mr. Olsson is co-trustee, and with respect to which Mr. Olsson shares voting and investment power. Also includes 1,200 shares held by the Mary Hedrick Causey Family Trust, over which Mr. Causey has voting and investment power in his capacity as trustee for the trust. Excludes 375 and 694 shares held solely by Mr. Hudson's and Mr. Olsson's spouses, respectively, as to which Mr. Hudson and Mr. Olsson disclaim beneficial ownership; and excludes 3,488 shares held solely by Ms. Holmes' mother as to which Ms. Holmes disclaims beneficial ownership.

- (3) Includes 19,100, 19,100, 8,900, 2,725, 4,250 and 3,600 shares of stock restricted as to sale or other transfer for Messrs. Cherry, Dillon, Crone, Long, McKernon, and Seaman, respectively. A description of the plans under which these restricted shares of stock were issued is set forth below in greater detail in "Compensation Discussion and Analysis."

As of March 3, 2017, there are no shareholders known to the Corporation to be the beneficial owners of more than 5% of the Corporation's stock, par value \$1.00 per share, which is the Corporation's only voting security outstanding.

PROPOSAL ONE

ELECTION OF DIRECTORS

The Corporation'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. Four persons named below will be nominated to serve as Class III directors. If elected, the Class III nominees will serve until the 2020 Annual Meeting of Shareholders. In addition, one person named below will be nominated to serve as a Class II director. If elected, the Class II nominee will serve until the 2019 Annual Meeting of Shareholders. All director nominees currently serve as directors of the Corporation, except for Dr. Julie R. Agnew and Ms. Elizabeth R. Kelley, who were initially recommended to the Nominating Committee by a non-management director. In connection therewith, on January 17, 2017, the Board approved a resolution to increase the size of the Board from ten directors to eleven directors, effective as of the Annual Meeting.

Pursuant to the Corporation's bylaws, as amended in February 2016, no person age 75 or older is eligible to serve on the Board of Directors after the Annual Meeting following his or her 75th birthday. This provision shall not apply to any person serving as a director of the Bank on December 31, 1984. Mr. Joshua H. Lawson, a Class II director, has reached the mandatory retirement age and will, therefore, retire from the Board at the Annual Meeting.

The two persons named in the proxy card will vote for the election of the nominees named below unless authority is withheld. The Corporation'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 Nominating Committee.

Certain information concerning the nominees for election at the Annual Meeting as Class II and III directors is set forth below, as well as certain information about the Class I directors and the remaining Class II directors who will continue in office until the 2018 and 2019 Annual Meetings of Shareholders, respectively, including the qualifications, skills and experience that the Board believes make the director or director nominee a good fit for service on the Board.

Class III Principal Occupation During Past Five Years and Qualifications, Skills and Experience
Directors
(Nominees)
(To Serve
Until the 2020
Annual
Meeting)

Dr. Julie R. Agnew
Director
Nominee
Age 48

Dr. Agnew is an Associate Professor of Finance and Economics at the College of William & Mary's Raymond A. Mason School of Business. From 2014 until 2016, she was the Director of the Boehly Center for Excellence in Finance at the Mason School of Business. She is a TIAA-CREF Institute Fellow, a member of the Wharton School's Pension Research Council Advisory Board and a Research Associate for the Center for Retirement Research at Boston College. Prior to pursuing her doctorate, Dr. Agnew worked as an analyst in investment banking for Salomon Brothers in New York City and as an equity research associate for Vector Securities International in Chicago. Dr. Agnew has served as a member of the Board of Directors of the Bank (the "Bank Board") since June 2016. Dr. Agnew's experience allows her to provide significant insights regarding the finances and economic risks of the Corporation.

J. P. Causey Jr.
Director since 1984(1) (2)
Age 73

In addition to being a self-employed attorney-at-law, Mr. Causey is Plan Administrator for Canal Corporation, formerly Chesapeake Corporation. Mr. Causey previously served as executive vice president, secretary and general counsel for Canal Corporation, formerly a SEC registrant, from 2001 to 2011. Mr. Causey had 27 years of experience with Canal Corporation. During his time with Canal Corporation, Mr. Causey actively participated in the development of corporate strategy and in evaluating risk. Mr. Causey also had direct supervisory responsibility for corporate legal, communications, human resources, business

ethics, environmental compliance and internal audit functions. Mr. Causey played an active part in the drafting and/or review of periodic SEC filings and other corporate communications. Mr. Causey's background allows him to provide significant contributions with respect to the Corporation's overall management, as well as with respect to its compliance obligations. Mr. Causey is the Chairman of the Compensation Committee and is a member of the Audit and Nominating Committees.

Class III
Directors

(Nominees)

Continued Principal Occupation During Past Five Years and Qualifications, Skills and Experience

Barry R. Chernack
Director since 2002
Age 69

Prior to his retirement in December 1999, Mr. Chernack was the managing partner of PricewaterhouseCoopers LLP ("PwC")'s southern Virginia practice. Mr. Chernack specialized in audits of both public and non-public companies, including those operating in the financial services industry, such as banks, credit unions and broker dealers. Mr. Chernack has significant experience with the preparation of SEC filings, including periodic and annual reports and registration statements covering debt and equity offerings. Mr. Chernack's background enables him to provide significant contributions to Board deliberations regarding the financial health of the Corporation and its compliance requirements as an SEC registrant. Mr. Chernack qualifies as an "audit committee financial expert" under SEC guidelines. Mr. Chernack is the Audit Committee Chairman and is a member of the Compensation and Nominating Committees.

Thomas F. Cherry
Director since 2015
Age 48

Mr. Cherry is the President and Secretary of the Corporation and the Bank. Mr. Cherry has worked for the Corporation and the Bank for over 20 years. He was named President in December 2014, was appointed to the Boards of Directors of the Corporation and the Bank in January 2015 and has been Secretary since 2002. Mr. Cherry also served as Chief Financial Officer from 2004 until 2016. Mr. Cherry is well versed in all business and operational aspects of the Corporation and the Bank and has strong leadership qualities. In addition to his duties at the Corporation and the Bank, Mr. Cherry has served on several committees of the Virginia Bankers Association. Mr. Cherry has served in several community organizations in communities served by the Bank. Prior to joining the Bank, Mr. Cherry worked for Price Waterhouse LLP (prior to its merger with Coopers & Lybrand to create PwC). All of these experiences provide Mr. Cherry with valuable insights for leading a community bank and serving on the Corporation's Board.

Class II
Directors
(Nominee)

(To Serve
Until the
2019
Annual
Meeting)

Elizabeth R. Kelley
Director Nominee

Ms. Kelley is president and chief operating officer of The Martin Agency, an international full-service advertising agency headquartered in Richmond, Virginia. She began her advertising career in 1983 at The Martin Agency, and during her tenure, she has worked in a variety of roles from account management to working in the creative department, as well as leading the human resources group. She

Age 56 became a partner in 2005, assumed the role of chief operating officer in 2011, and was named president of the agency in 2016. Ms. Kelley currently serves as a member of the American Association of Advertising Agencies' finance committee and is the chair of the advisory board for Virginia Commonwealth University's Robertson School of Media & Culture. In addition, she serves on the boards of The Greater West Point Family YMCA and the Virginia Film Festival. She has served as a member of the Bank Board since June 2016. Ms. Kelley's diverse experience with a company that specializes in, among other things, advertising, strategic planning, and building the relationship between brand and consumers, will bring valuable expertise to the Board.

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Class I
Directors
(Serving
Until the
2018
Annual
Meeting)

Principal Occupation During Past Five Years and Qualifications, Skills and Experience

Larry G. Dillon
Director since 1989(1)
Age 64

Mr. Dillon is the Chairman and Chief Executive Officer of the Corporation and the Bank. Mr. Dillon has worked for the Corporation and the Bank for over 39 years. He has been Chief Executive Officer since 1989 and Chairman since 1998. He served as President from 1989 until Mr. Cherry's appointment in December 2014. Prior to becoming President and Chief Executive Officer, Mr. Dillon served in several capacities including Chief Operating Officer and Commercial Lending Officer. Mr. Dillon is well versed in all business and operational aspects of the Corporation and the Bank and has the strong leadership qualities that are necessary to lead the Board and Corporation as a whole. In addition to his duties at the Corporation and the Bank, Mr. Dillon has served as president of the Virginia Bankers Association and has served on several committees within that organization. Mr. Dillon has served as a leader in several community organizations in communities served by the Bank. Prior to joining the Bank, Mr. Dillon worked for the State Corporation Commission Bureau of Financial Institutions. All of these experiences provide Mr. Dillon with valuable insights for leading a community bank and serving on the Corporation's Board.

James H. Hudson III
Director since 1997
Age 68

Mr. Hudson is an attorney-at-law for Hudson Law, PLC. Mr. Hudson has practiced law for over 40 years in the primary footprint of the Bank and is the current mayor of one of the communities served by the Bank. Mr. Hudson's work centers on real estate, both residential and commercial, and includes, among other things, loan workouts, collateralizations and foreclosures. Mr. Hudson's experience and insights in these areas allow the Board to have more robust discussions and establish appropriate direction for the Corporation. Mr. Hudson is a member of the Compensation and Nominating Committees.

C. Elis Olsson
Director since 2007
Age 52

Mr. Olsson is vice president and director of operations for Martinair, Inc. ("Martinair"), an aircraft charter and management company. Mr. Olsson has been with Martinair since May 2000. Mr. Olsson, as a vice president of Martinair, in addition to his operational duties, has responsibility for the review of financial information of Martinair. Prior to Martinair, Mr. Olsson worked for a Fortune 500 company where he held numerous roles including regional sales manager and vice president of operations. He also served on the board of directors for the Fortune 500 company. Mr. Olsson is actively involved in various community organizations in the markets the Bank serves. Mr. Olsson's background brings valuable operational and financial expertise to the Board. Mr. Olsson is a member of the Audit and Nominating Committees.

Class II
Directors

(Serving Until
the 2019
Annual
Meeting)

Audrey D. Holmes Director since 2007 Age 59	Ms. Holmes owns and operates her own legal practice, Audrey D. Holmes, Attorney-at-Law. Ms. Holmes conducts business in most of the communities served by the Bank. Ms. Holmes' business experience as a sole practitioner is enhanced by her membership in a number of professional, civic and religious organizations. As a small business owner, Ms. Holmes understands many of the challenges faced by the Bank's customers. Ms. Holmes is a member of the Nominating Committee.
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Class II Principal Occupation During Past Five Years and Qualifications, Skills and Experience
Directors Continued

James T. Napier
Director since 2016
Age 64

Mr. Napier is the president of Napier Realtors ERA headquartered in Chesterfield County Virginia with branch offices serving Powhatan County, Henrico County, the City of Richmond and the tri-cities area. Mr. Napier has been president of the firm since 1991 and involved in the real estate business since 1976. Mr. Napier served on the board of directors of Central Virginia Bankshares, Inc. from 1997 until its acquisition by the Corporation in 2013. Since that time, Mr. Napier has served as a member of the Bank Board. Mr. Napier's experience in real estate, his experience as the president of a real estate company and his years of experience on the board of a community bank provide him the leadership skills and attributes desired to serve as a director. Mr. Napier is a member of the Audit and Nominating Committees.

Paul C. Robinson
Director since 2000
Age 59

Mr. Robinson is the president of Francisco, Robinson and Associates, Inc., a real estate brokerage firm. Mr. Robinson has gained practical business experience through over 38 years in the real estate business, including over 23 as a firm owner/principal broker. In addition, Mr. Robinson has served as an elected member of the Board of Supervisors for New Kent County, and has represented New Kent County, Virginia, on multi-jurisdictional boards in the greater Richmond region. Through his experiences, Mr. Robinson has developed relevant financial, accounting and compliance knowledge. In addition, Mr. Robinson's past experience as an elected public official provides insight into the workings of local government, issues facing constituents, many of which reside in the Bank's banking footprint, and how to effectively manage input from numerous stakeholders to make the most appropriate decisions. Mr. Robinson is a member of the Nominating Committee.

(1) If prior to 1994, refers to the year the director joined the Bank Board, prior to the Corporation's becoming the holding company for the Bank.

(2) Mr. Causey was an executive officer of Canal Corporation (formerly Chesapeake Corporation). On December 29, 2008, Chesapeake Corporation agreed to sell all of its operating businesses as going concerns and, to facilitate this sale, filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code in the U.S. Bankruptcy Court for the Eastern District of Virginia, Richmond Division.

The Bank Board consists of the eleven directors and director nominees listed above plus Mr. Lawson, who will retire from the Bank Board at the conclusion of his term at the 2017 Annual Meeting, and Bryan E. McKernon.

The Board of Directors is not aware of any family relationship among any director, director nominee or executive officer; nor is the Board of Directors aware of any involvement of any director, director nominee or executive officer, currently or in the past ten years, in any legal proceedings that would be material to an evaluation of the ability or integrity of any director, director nominee or executive officer. Except for Mr. Napier, as described above, none of the directors or director nominees serves, nor in the past five years has any director or director nominee served, as a director of any other public company with a class of securities registered pursuant to Section 12 of the Exchange Act. Unless authority for the above 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 UNANIMOUSLY RECOMMENDS A VOTE “FOR” THE FOUR NOMINEES NOMINATED TO SERVE AS CLASS III DIRECTORS AND THE ONE NOMINEE NOMINATED TO SERVE AS A CLASS II DIRECTOR.

Board Leadership Structure and Risk Oversight

The Corporation has been operating for over 90 years using the traditional U.S. board leadership structure, under which our Chief Executive Officer (“CEO”) also serves as Chairman of the Board of Directors. Over this period, there have been three persons who have served as CEO. Each CEO has also held the position of Chairman of the Board throughout his tenure as CEO. We believe that the Corporation, like many U.S. companies, has been well-served by this leadership structure. Having one person serve as both CEO and Chairman of the Board demonstrates for our employees, suppliers, customers and shareholders that the Corporation is under strong leadership, with a single person setting the tone and having primary responsibility for managing our operations. Having a single leader for both the Corporation and the Board of Directors eliminates the potential for confusion or duplication of efforts, and provides clear leadership for our Corporation. We believe our current leadership structure, under which our CEO serves as Chairman of the Board and our Board committees are chaired and comprised by independent directors, remains the optimal Board leadership structure for our Corporation and our shareholders at this time.

While the Board has not formally designated a lead independent director, Mr. Hudson presides over executive sessions of the Board, which are attended solely by independent directors. Mr. Hudson also refers to the appropriate Board committee any issue brought to his attention by shareholders, directors and others. Mr. Hudson is the primary communicator between the directors and the CEO, who is directly responsible to the Board in its entirety, although individual Board members may communicate directly with the CEO and vice versa and may freely discuss their views with other Board members at any time.

The Corporation believes that its leadership structure allows the directors to provide effective oversight of its risk management function. The Audit Committee oversees the accounting and financial reporting processes of the Corporation, as well as legal and compliance matters and risk management. As described in the Audit Committee Charter, the Board has delegated to the Audit Committee the responsibility of overseeing the internal controls of the Corporation along with its adherence to compliance and regulatory requirements. On at least a quarterly basis, the Corporation’s Director of Internal Audit provides a comprehensive report to the Audit Committee regarding the Corporation’s key risks, including operational, financial, credit quality and other risks. While the Audit Committee has primary responsibility for overseeing risk management, our entire Board of Directors is actively involved in overseeing this function for the Corporation. For example, on a routine basis, the Board receives a report from the Audit Committee Chairman and discusses risks that the Corporation is facing. The full Board also engages in periodic discussions with the CEO, President, Chief Financial Officer (“CFO”) and other corporate officers as the Board may

deem appropriate. In addition to the roles performed by the Audit Committee, the Compensation Committee considers the risks that may arise through our compensation programs. The Compensation Committee Chairman also reports to the Board on a routine basis. The Corporation believes that its leadership structure promotes effective Board oversight of risk management because, while there is a single leader ultimately accountable for the management of the Corporation's enterprise risks, a Board committee comprised solely of independent directors actively monitors the Corporation's risk management, and the committee chairmen, each of whom is an independent director, are provided with the information necessary to evaluate the specific risks relevant to each committee's areas of accountability.

On an annual basis, the Nominating Committee evaluates our Board leadership structure to ensure that it remains the optimal structure for our Corporation and our shareholders.

Director Independence

The Board has determined that all non-employee directors, who comprise a majority of the Corporation's Board, satisfy the independence requirements of the NASDAQ Stock Market ("NASDAQ") listing standards. The Board has affirmatively determined that directors Causey, Chernack, Holmes, Hudson, Lawson, Napier, Olsson, and Robinson and director nominees Agnew and Kelley are independent within the meaning of the NASDAQ listing standards. In conjunction with this determination, the Board considered the Corporation's relationships with Messrs. Hudson, Napier, Lawson and Robinson. The firm of Hudson and Bondurant, P.C., of which Mr. Hudson was a partner, was retained to perform legal services for the Corporation during fiscal year 2014. The firm of Hudson Law, PLC, of which Mr. Hudson is a member, was retained to perform legal services for the Corporation during fiscal years 2015 and 2016, and continues to provide such services in 2017. An agent of Napier Realtors ERA, of which Mr. Napier is president, represented a third party as the buyer's agent in the purchase of real estate from the Corporation during 2016. Thrift Insurance Corporation, of which Mr. Lawson (who will retire from the Board at the Annual Meeting) is president, was the Corporation's insurance agent during fiscal years 2014, 2015 and 2016 and continues to provide such services in 2017. Francisco, Robinson and Associates, Inc., of which Mr. Robinson is president, was engaged to represent the Corporation in the sale of real estate during 2016. In each case, the Board determined that the relationship did not interfere with the director's ability to exercise independent judgment as a director of the Corporation. During 2016, the Board of Directors held two regularly-scheduled executive session meetings attended solely by its independent directors and over which Mr. Hudson presided.

Board Evaluation Process

The Board believes in a robust self-evaluation process. Each year, all members of the Board complete a detailed questionnaire regarding the Board's performance and Board governance and processes. In connection with the evaluation process the qualifications and performance of all Board members are reviewed prior to their re-nomination to the Board. Annually the Audit Committee conducts a self-evaluation of its performance and procedures, including the adequacy of the charter, and reports the results to the Board.

Board Committees and Attendance

During 2016, there were 12 meetings of the Board of Directors of the Corporation. Each director attended at least 75% of all meetings of the Board and Board committees on which he or she served.

The Corporation has not adopted a formal policy on Board members' attendance at its annual meeting of shareholders, although all Board members are encouraged to attend and historically most have done so. All Board members

attended the Corporation's 2016 Annual Meeting of Shareholders.

The Board has three standing committees which are the Audit, Compensation and Nominating Committees. Each of these committees is comprised solely of independent directors, with the Audit and Compensation committees each having a separate Chair. The Nominating Committee does not currently have a Chairman. The duties of the committees are set forth in their respective committee charters. The chair of each of these committees is responsible for directing the work of the committee in fulfilling its responsibilities. In addition to these standing committees, all of the directors participate in the Corporation's annual strategic planning process.

Audit Committee

Current members of the Corporation's Audit Committee are Messrs. Causey, Chernack, Napier, and Olsson, each of whom is "independent" for this purpose according to NASDAQ listing standards and the regulations of the SEC. The Audit Committee engages the Corporation's independent registered public

accountant, approves the scope of the independent registered public accountant's audit, reviews the reports of examination by the regulatory agencies, the independent registered public accountant and the internal auditor, and regularly provides updates to the Board of Directors as to the Audit Committee's activities. The Board has adopted a charter for the Audit Committee which is posted on the Corporation's website at www.cffc.com under "Investor Relations/Corporate Governance." The Audit Committee met 13 times during 2016. See "Report of the Audit Committee" on pages 40 and 41.

Compensation Committee

Current members of the Corporation's Compensation Committee are Messrs. Causey, Chernack and Hudson. Each member is "independent" for this purpose according to NASDAQ listing standards. The Corporation's Board has made an affirmative determination that no member of the Compensation Committee has a relationship with the Corporation that would impair his independence. In conjunction with this determination, the Board considered the Corporation's business relationship with Mr. Hudson and all factors relevant (including the amount of fees paid) to whether he has a relationship with the Corporation that would impair his ability to make independent judgments about the Corporation's executive compensation. The Compensation Committee recommends the level of compensation to be paid to the executive officers of the Corporation and certain key officers of the Bank and its subsidiaries, administers all incentive and equity compensation plans for the benefit of such officers, directors and employees eligible to participate in such plans, and regularly provides updates to the Board of Directors as to the Compensation Committee's activities. The Board has adopted a charter for the Compensation Committee which is posted on the Corporation's website at www.cffc.com under "Investor Relations/Corporate Governance." The Compensation Committee met eight times during 2016. See "Compensation Committee Report" on page 32.

Nominating Committee

Current members of the Corporation's Nominating Committee are Ms. Holmes and Messrs. Causey, Chernack, Hudson, Lawson, Napier, Olsson and Robinson, each of whom is "independent" for this purpose according to NASDAQ listing standards. The Nominating Committee's primary responsibility is to identify individuals who have the desired experience, qualifications, attributes and/or skills to serve on the Board of Directors and to recommend to the Board of Directors for selection, candidates for all directorships to be filled by the Board of Directors or by the Corporation's shareholders. The Board has adopted a charter for the Nominating Committee which is posted on the Corporation's website at www.cffc.com under "Investor Relations/Corporate Governance." The Nominating Committee met five times during 2016. Currently there is no Chairman of the Nominating Committee. Mr. Hudson presided over all Nominating Committee meetings during 2016 and directed the work of the committee in fulfilling its responsibilities in 2016.

While there are no formal procedures for shareholders to submit director recommendations, the Nominating Committee will consider candidates recommended by shareholders in writing. Such written submissions should include the name, address and telephone number of the recommended candidate, along with a brief statement of the

candidate's qualifications to serve as a director. All such shareholder recommendations should be submitted to the attention of the Corporation's Secretary, P.O. Box 391, West Point, Virginia 23181, and must be received no later than January 1, 2018 in order to be considered by the Nominating Committee for the annual election of directors in 2018. Any candidates recommended by a shareholder will be reviewed and considered in the same manner as all other director candidates considered by the Nominating Committee.

Qualifications for consideration as a director nominee may vary according to the particular areas of expertise being sought as a complement to the existing Board composition. However, minimum qualifications include high level leadership experience in business activities, breadth of knowledge about issues affecting the Corporation and time available for meetings and consultation on Corporation matters. The Nominating Committee seeks a diverse group of candidates who possess the background, skills and expertise to make a significant contribution to the Board, to the Corporation and its shareholders. All candidates must possess the

aptitude or experience to understand fully the legal responsibilities of a director and the governance processes of a public company, as well as the personal qualities to be able to make a substantial active contribution to Board deliberations, including intelligence and wisdom, self-assuredness, interpersonal and communication skills, courage and inquisitiveness. Consideration will also be given to financial management, reporting and control expertise or other experiences that would qualify the candidate as a “financial expert” under established standards. The Nominating Committee also considers diversity in its evaluation of candidates for Board membership. Pursuant to its charter, in identifying candidates for Board membership, the Nominating Committee seeks to ensure that the Board, as a whole, is diverse and consists of individuals with various and relevant career experience and backgrounds. Consideration is given to assuring that the Board, as a whole, adequately reflects the diversity of our constituencies and the communities in which we conduct our business. The Nominating Committee may consider these and other appropriate factors that contribute to an overall diversity of perspective that enhances the Board’s ability to oversee the Corporation’s business and perform its responsibilities.

The Nominating Committee evaluates potential nominees, whether proposed by shareholders or otherwise, by reviewing their qualifications, reviewing results of personal and reference interviews and reviewing other relevant information. Candidates whose evaluations are favorable are then chosen by majority vote of the Nominating Committee to be recommended for nomination by the full Board. The full Board then selects and nominates candidates for election as directors by the shareholders at the Annual Meeting. The Nominating Committee follows the same process to identify new candidates for recommendation to the full Board in the event of a vacancy on the Board. No director elected after February 23, 2016, is eligible to serve on the Board of Directors after the Annual Meeting following his or her 75th birthday. This provision does not apply to any person serving as a director of the Bank on December 31, 1984.

The Board has concluded that each director and director nominee possesses the personal traits described above. In considering the director and the director nominees’ individual experience, qualifications, attributes and skills, the Board has concluded that the appropriate experience, qualifications, attributes and skills are represented for the Board as a whole and for each of the Board’s committees. In addition, each director and director nominee possesses characteristics that led the Board to conclude that such person should serve as a director. The specific experience, qualifications, attributes and skills that the Board believes each director and director nominee possesses are discussed under Proposal One “Election of Directors.”

In accordance with the Corporation’s bylaws, any shareholder entitled to vote in the election of directors generally may nominate one or more persons for election as director(s) at an Annual Meeting, if the shareholder gives written notice of his or her intent to make such nomination. A shareholder nomination must include the nominee’s written consent to serve as a director of the Corporation if elected, sufficient background information with respect to the nominee including, but not limited to, the nominee’s name and address, the amount and nature of the nominee’s beneficial ownership of the Corporation’s securities, his or her principal occupation for the past five years, his or her age, and a discussion of the specific experience, qualifications, attributes or skills that led to the conclusion that the nominee should serve as director, sufficient identification of the nominating shareholder, including the shareholder’s name and address, a description of any arrangements or understandings between the shareholder and the nominee pursuant to which the nomination is to be made by the shareholder, and a representation by the shareholder that he or she is the owner of stock of the Corporation entitled to vote at the Annual Meeting and that he or she intends to appear at the Annual Meeting (in person or by proxy) to nominate the individual specified in the notice. No such nomination was

made for the annual election of directors in 2017. Nominations must be received by the Corporation's Secretary at the Corporation's principal office in West Point, Virginia, no later than February 13, 2018 for the annual election of directors in 2018. These requirements are more fully described in Article III, Section 16 of the Corporation's bylaws, a copy of which will be provided, without charge, to any shareholder upon written request to the Corporation's Secretary.

Shareholder Communications with the Corporation's Board of Directors

The Corporation provides a process for shareholders to send communications to the Board of Directors. Shareholders who wish to contact the Board of Directors or any of its members may do so by addressing their written correspondence to C&F Financial Corporation, Board of Directors, c/o Secretary, P.O. Box 391, West Point, Virginia 23181. Correspondence directed to an individual Board member will be referred, unopened, to that member. Correspondence not directed to a particular Board member will be referred, unopened, to the Chairman of the Board.

Director Compensation

The following table provides compensation information for the year ended December 31, 2016 for each non-employee director of the Corporation's Board of Directors.

Director Compensation Table for 2016

Name ¹	Fees Earned or Paid in Cash ² (\$)	Stock Awards ³ (\$)	Option Awards ⁴ (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
J. P. Causey Jr.	\$ 36,600	\$ 21,931	-	-	-	\$ 2,248	\$ 60,779
Barry R. Chernack	\$ 40,000	\$ 21,931	-	-	-	\$ 2,248	\$ 64,179
Audrey D. Holmes	\$ 23,800	\$ 21,931	-	-	-	\$ 2,248	\$ 47,979
James H. Hudson III	\$ 27,700	\$ 21,931	-	-	-	\$ 2,248	\$ 51,879
Joshua H. Lawson	\$ 23,800	\$ 21,931	-	-	-	\$ 2,248	\$ 47,979
James T. Napier	\$ 25,300	\$ 21,931	-	-	-	\$ 1,960	\$ 49,191
	\$ 27,400	\$ 21,931	-	-	-	\$ 2,248	\$ 51,579

C. Elis Olsson Paul C. Robinson	\$ 25,000	\$ 21,931	-	-	-	\$ 2,248	\$ 49,179
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¹ Larry G. Dillon, the Corporation's Chairman of the Board and Chief Executive Officer, and Thomas F. Cherry, the Corporation's President and Secretary, are not included in this table. Both are employees of the Corporation and thus receive no compensation for service as a director. The compensation received by Mr. Dillon and Mr. Cherry as employees of the Corporation is shown in the Summary Compensation Table on page 33.