CB FINANCIAL CORPORATION
AND SUBSIDIARY

2007 Annual Report

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Cornerstone Bank Web Address: www.thecornerstonebank.com

For stock transfers and change of address on shares owned please contact our Stock Transfer Agent

First-Citizens Bank & Trust Company
Corporate Trust Dept.
100 East Tryon Road
Raleigh, NC 27603
1-877-685-0576

CB Financial Corporation

May 2, 2008

Dear Shareholders,

With this 2007 Annual Report, you will find some numbers that might surprise you, especially when viewed alongside news reports concerning companies' performances far and wide.

Your company posted earnings of $1.122 million for the year that ended December 31, 2007.

How can that be?

Several reasons:

(1) The mortgage news, as bad as it truly is, did not affect us. We did not originate any subprime mortgages for resale to the secondary market. We have been competitive in our mortgage lending, and in fact had a very nice year with our mortgages, and that is due to personal attention to customers and builders, working hard to find the right mortgage for the right customer, and serving as an advisor in helping customers not getting in too far with an overload of debt. We want our customers to enjoy their homes, and we really have no interest in ever having to buy them back.

(2) We did not purchase any CDOs (Collateralized Debt Obligations) or other structured repayment investment vehicles that have been the cause of more bad news for financial institutions.

(3) We wisely managed a shrinking interest margin and are weathering a slowing economy, mainly because we have followed our mission from Day One — we will price products that are fair to customers AND to shareholders, and we are not (and will not) be greedy.

Along the way, we grew assets to $194.1 millions (a 13.5 percent increase over the past year), and our loans and deposits also increased at a healthy pace. While many banks were forced to dump significant profits into loan loss reserves, we have managed a healthy reserve all along.

All in all, we've had a very nice year, everything considered on the landscape for the banking industry. As a community bank in its truest form, this bank has become somewhat like the world of George Bailey in "It's A Wonderful Life." We're taking care of customers and the Wilson community, and not a single loan from here has gone overseas or even out of state, and rarely out of designated markets, although diversification is an important risk management tool.

Our bank also spent a lot of time and resources in preparing for the future. Some of the profits were used in building an infrastructure of additional people, systems, and training, as well as additional services that position us for future growth.

Also, in a move that is forward-looking, the bank reorganized the shareholder base, which in turn allowed deregistration as an SEC reporting company in early 2008. Those savings will appear in 2009 and beyond, and enhance the bank's long-term focus as an independent local bank that rewards customers and shareholders.

Both our branches are performing admirably, and we will look to diversify our loan growth into other NC markets. We project 2008 will be a year similar to 2007, with banks having to work harder than ever to locate the quality of loans that lead to profits.

We also remain active with the CDARS program, which allows sharing of larger deposit customers with other banks and secures FDIC insurance even when beyond normal limits. This is an especially healthy program for those who trust the earnings in banks instead of the investment markets.

And a comment on that, as well, concerning the safety of banks. We know of a customer who, literally, wanted to remove all deposit funds and place them in the safety of the bed mattress. The fear from the failure of Bear Stearns was in the day's headlines. We counseled and soothed the customer, and explained that Bear Stearns is an investment bank, not a bank where customers make deposits and borrow money for car and house loans. And it definitely had no resemblance to a community bank. But that's part of what we face these days. And perhaps an undercurrent is a widening concern about the US dollar, the FDIC, the banking system, and so on. We ask you to remember this: a failure of the banking system would be a failure of the US government. It will not happen. Or look at this way, as we mentioned to a customer weeks ago: suppose we could switch your dollars to Euros. Is that really what you want?

Anywhere in the world, the US dollar is well received and welcome. It is alive and well at Cornerstone Bank in Wilson, NC, as well. In fact, the performance of 2007 indicates that some people are taking very good care of the dollars — again, for customers and for shareholders.

Thank you for being a part of our bank. We encourage you to become even more involved with additional products and services. And we look forward to seeing you, in person, at the bank. Just like George Bailey, here you can still say hello to the bank president in this town, most any day you stop by.

Sincerely,

John C. Anthony
Chairman

Norman B. Osborn
President and CEO

Independent Auditor's Report

To the Stockholders and the Board of Directors
CB Financial Corporation
Wilson, North Carolina

We have audited the accompanying consolidated balance sheets of CB Financial Corporation and subsidiary (the "Company") as of December 31, 2007 and 2006, and the related consolidated statements of operations, comprehensive income, changes in stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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, 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 CB Financial Corporation and subsidiary at December 31, 2007 and 2006 and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Galax, Virginia
April 7, 2008

CB FINANCIAL CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
December 31, 2007 and 2006

	2007	2006
ASSETS		
Cash and due from banks	$ 4,542,979	$ 4,320,996
Interest-earning deposits in banks	3,887,097	4,182,885
Federal funds sold	2,000,000	5,879,000
Time deposits	4,373,069	1,140,000
Investment securities available for sale, at fair value (Note D)	39,729,461	29,684,578
Loans (Note E)	130,860,639	120,618,693
Allowance for loan losses	(2,001,345)	(1,686,500)
NET LOANS	128,859,294	118,932,193
Accrued interest receivable	952,967	886,846
Stock in Federal Home Loan Bank of Atlanta, at cost	596,700	593,600
Premises and equipment (Note F)	2,196,682	2,311,728
Bank-owned life insurance	4,533,353	1,389,617
Real estate owned	656,620	451,955
Other assets	1,771,991	1,384,470
TOTAL ASSETS	$ 194,100,213	$ 171,157,868
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Demand	$ 14,244,295	$ 11,895,688
Savings	1,644,594	1,144,329
Money market and NOW	40,975,544	35,824,994
Time (Note G)	112,226,976	98,545,945
TOTAL DEPOSITS	169,091,409	147,410,956
Long term borrowings (Note H)	11,405,000	11,405,000
Accrued interest payable	229,949	270,609
Accrued expenses and other liabilities	299,725	327,516
TOTAL LIABILITIES	181,026,083	159,414,081
Commitments (Notes L and N)		
Stockholders' equity (Notes K and N):		
Preferred stock, 20,000,000 shares authorized, none issued	-	-
Common stock, no par value, 80,000,000 shares authorized; 1,073,145 and 1,070,169 shares issued and outstanding, respectively	10,658,628	10,586,164
Retained earnings	2,335,206	1,212,273
Accumulated other comprehensive gain (loss)	80,296	(54,650)
TOTAL STOCKHOLDERS' EQUITY	13,074,130	11,743,787
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 194,100,213	$ 171,157,868

See accompanying notes.

CB FINANCIAL CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
Years Ended December 31, 2007 and 2006

	2007	2006
INTEREST INCOME		
Loans	$ 10,650,169	$ 9,588,140
Investment securities—taxable	1,147,102	799,700
Investment securities—tax exempt	473,976	246,999
Federal funds sold	331,385	306,261
Interest-earning deposits in banks	142,167	232,764
Other interest and dividends	106,957	145,810
TOTAL INTEREST INCOME	12,851,756	11,319,674
INTEREST EXPENSE		
Money market, NOW and savings deposits	1,045,479	897,116
Time deposits	5,291,451	4,053,008
Short term borrowings	-	952
Long term borrowings	618,252	599,726
TOTAL INTEREST EXPENSE	6,955,182	5,550,802
NET INTEREST INCOME	5,896,574	5,768,872
PROVISION FOR LOAN LOSSES (Note E)	489,255	941,937
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	5,407,319	4,826,935
NON-INTEREST INCOME		
Service charges on deposit accounts	564,820	505,825
Mortgage operations	299,001	328,913
Loss on sale of investment securities	-	(12,638)
Other income	221,220	207,566
TOTAL NON-INTEREST INCOME	1,085,041	1,029,666
NON-INTEREST EXPENSE		
Salaries and employee benefits	2,735,232	2,297,305
Occupancy and equipment	417,714	377,307
Data processing expenses	578,395	527,191
Other (Note J)	1,251,086	1,015,700
TOTAL NON-INTEREST EXPENSE	4,982,427	4,217,503
INCOME BEFORE INCOME TAXES	1,509,933	1,639,098
INCOME TAXES (Note I)	387,000	524,000
NET INCOME	$ 1,122,933	$ 1,115,098
NET INCOME PER SHARE		
Basic	$ 1.05	$ 1.05
Diluted	1.00	1.01
WEIGHTED AVERAGE SHARES OUTSTANDING		
Basic	1,070,177	1,064,302
Diluted	1,119,758	1,105,237

See accompanying notes.

CB FINANCIAL CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years Ended December 31, 2007 and 2006

	2007	2006
NET INCOME	$ 1,122,933	$ 1,115,098
OTHER COMPREHENSIVE INCOME:		
Securities available for sale:		
Unrealized holding gains on		
available-for-sale securities	219,603	289,831
Tax effect	(84,657)	(111,730)
Unrealized losses resulting from transfer of securities		
from held to maturity to available for sale	-	(133,426)
Tax effect	-	51,436
Reclassification of losses recognized in net income	-	12,638
Tax effect	-	(4,872)
TOTAL OTHER COMPREHENSIVE INCOME	134,946	103,877
COMPREHENSIVE INCOME	$ 1,257,879	$ 1,218,975

See accompanying notes.

CB FINANCIAL CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Years Ended December 31, 2007 and 2006

	Common stock		Retained	Accumulated other comprehensive income	Total stockholders'
	Shares	Amount	earnings	(loss)	equity
BALANCE AT DECEMBER 31, 2005	1,014,228	$ 9,640,494	$ 959,825	$ (158,527)	$10,441,792
Net income	-	-	1,115,098	-	1,115,098
Other comprehensive income	-	-	-	103,877	103,877
5% stock dividend, net of fractional shares paid in cash	49,986	850,425	(862,650)	-	(12,225)
Issuance of common stock	5,955	72,293	-	-	72,293
Stock based compensation expense	-	22,952	-	-	22,952
BALANCE AT DECEMBER 31, 2006	1,070,169	10,586,164	1,212,273	(54,650)	11,743,787
Net income	-	-	1,122,933	-	1,122,933
Other comprehensive income	-	-	-	134,946	134,946
Issuance of common stock	2,976	44,902	-	-	44,902
Stock based compensation expense	-	27,562	-	-	27,562
BALANCE AT DECEMBER 31, 2007	1,073,145	$ 10,658,628	$ 2,335,206	$ 80,296	$13,074,130

See accompanying notes.

CB FINANCIAL CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2007 and 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 1,122,933	$ 1,115,098
Adjustments to reconcile net income to		
net cash provided by operating activities:		
Depreciation and accretion	92,269	148,720
Compensation expense	27,562	22,952
Impairment of cost method investments	-	83,318
Realized loss on available-for-sale securities	-	12,638
Loss on sale of bank equipment	5,893	296
Loss on sale of real estate owned	127,814	21,695
Real estate donated to church	5,000	-
Provision for loan losses	489,255	941,937
Provision for real estate loan losses	-	10,685
Earnings on bank-owned life insurance	(143,736)	(51,778)
Deferred income tax expense (benefit)	(235,000)	123,000
Change in assets and liabilities:		
Increase in accrued interest receivable	(66,121)	(258,788)
Increase in other assets	(89,277)	(345,987)
Increase (decrease) in accrued interest payable	(40,660)	32,666
Decrease in accrued expenses and other liabilities	(27,791)	(151,300)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,268,141	1,705,152
CASH FLOWS FROM INVESTING ACTIVITIES		
Net maturities (purchases) of time deposits	(3,233,069)	4,313,000
Purchase of available-for-sale investments	(16,752,789)	(14,730,729)
Sales of available for sale investments	-	992,828
Proceeds from sale of real estate owned	432,366	676,992
Renovations on real estate owned	(97,114)	-
Proceeds from maturities and calls of available for sale investment	6,968,707	3,723,292
Net increase in loans	(11,109,487)	(8,225,429)
Purchase of Federal Home Loan Bank stock	(3,100)	(65,000)
Purchase of investments accounted for under the cost method	(127,500)	(87,500)
Purchase bank owned life insurance	(3,000,000)	-
Purchases of bank premises and equipment	(24,315)	(693,519)
NET CASH USED BY INVESTING ACTIVITIES	(26,946,301)	(14,096,065)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in deposits	21,680,453	18,341,558
Issuance of common stock	44,902	72,293
Cash paid for fractional shares	-	(12,225)
Net increase (decrease) in short term borrowings	-	(1,138,333)
NET CASH PROVIDED BY FINANCING ACTIVITIES	21,725,355	17,263,293
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,952,805)	4,872,380
CASH AND CASH EQUIVALENTS, BEGINNING	14,382,881	9,510,501
CASH AND CASH EQUIVALENTS, ENDING	$ 10,430,076	$ 14,382,881

Continued

	2007	2006
CASH AND CASH EQUIVALENTS		
Cash and due from banks	$ 4,542,979	$ 4,320,996
Interest-earning deposits in banks	3,887,097	4,182,885
Federal funds sold	2,000,000	5,879,000
	$ 10,430,076	$ 14,382,881
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	$ 6,995,842	$ 5,518,136
Income taxes paid	714,381	960,000
Unrealized loss on investment securities available for sale, net	134,946	103,877
Transfer from loans to real estate owned	672,731	1,043,913

See accompanying notes.

NOTE A - ORGANIZATION AND OPERATIONS

Cornerstone Bank (the "Bank") was incorporated on March 14, 2000 and began banking operations on March 15, 2000. The Bank is engaged in general commercial and retail banking in eastern North Carolina, principally in Wilson County, and operates under the banking laws of North Carolina and the rules and regulations of the Federal Deposit Insurance Corporation and the North Carolina Commissioner of Banks. The Bank undergoes periodic examinations by those regulatory authorities.

In June 2005, the shareholders of Cornerstone Bank (the "Bank") approved an Agreement and Plan of Reorganization pursuant to which the Bank became a wholly owned banking subsidiary of CB Financial Corporation (the "Company"), a North Carolina corporation formed as a holding company for the Bank. At the closing of the holding company reorganization (the "Reorganization"), one share of the Company's no par value common stock was exchanged for each of the outstanding shares of the Bank's $5.00 par value common stock. The Company currently has no operations and conducts no business on its own other than its ownership of the Bank and the common shares of CB Financial Capital Trust I, a Connecticut statutory trust to facilitate the issuance of $5 million of trust preferred securities.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of CB Financial Corporation and Cornerstone Bank. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect (i) the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and (ii) the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change relate to management's determination of the allowance for loan losses and the valuation of deferred tax assets.

Cash and Cash Equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents are defined as those amounts included in the balance sheet captions "Cash and due from banks," "Interest-earning deposits in banks" and "Federal funds sold."

Investment Securities Available for Sale

Investment securities available for sale are reported at fair value and consist of debt instruments that are not classified as either trading securities or as held to maturity securities. Unrealized holding gains and losses, net of deferred income tax, on available for sale securities are reported as a net amount in accumulated other comprehensive income. Gains and losses on the sale of investment securities available for sale are determined using the specific-identification method. Declines in the fair value of individual investment securities available for sale below their cost that are other than temporary would result in write-downs of the individual securities to their fair value. Such write-downs would be included in earnings as realized losses. Premiums and discounts are recognized in interest income using the interest method over the period to maturity.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity are reported at their outstanding principal adjusted for any charge-offs, the allowance for loan losses, and any deferred fees or costs on originated loans and unamortized premiums or discounts on purchased loans. Loan origination fees and certain direct origination costs are capitalized and recognized as an adjustment of the yield of the related loan. The accrual of interest on impaired loans is discontinued when, in management's opinion, the borrower may be unable to meet payments as they become due. When interest accrual is discontinued, all unpaid accrued interest is reversed. Interest income is subsequently recognized only to the extent cash payments are received.

Allowance for Loan Losses

The provision for loan losses is based upon management's estimate of the amount needed to maintain the allowance for loan losses at an adequate level. In making the evaluation of the adequacy of the allowance for loan losses, management gives consideration to current business and economic conditions, statutory examinations of the loan portfolio by regulatory agencies, delinquency information and management's internal review of the loan portfolio. Loans are considered impaired when it is probable that all amounts due under the contractual terms of the loan will not be collected. The measurement of impaired loans is generally based on the present value of expected future cash flows discounted at the historical effective interest rate, or upon the fair value of the collateral if the loan is collateral dependent. If the recorded investment in the loan exceeds the measure of fair value, a valuation allowance is established as a component of the allowance for loan losses. While management uses the best information available to make evaluations, future adjustments to the allowance may be necessary if conditions differ substantially from the assumptions used in making the evaluations. In addition, regulatory examiners may require the Bank to recognize adjustments to the allowance for loan losses based on their judgments about information available to them at the time of their examination.

Mortgage Operations

The Bank originates single family, residential first mortgage loans on a presold basis. The Bank recognizes certain origination and service release fees upon the sale, which are included in non-interest income on the statements of operations under the caption "Mortgage operations."

Premises and Equipment

Company's premises and equipment are stated at cost less accumulated depreciation. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets. Estimated useful lives are 35 years for buildings, 3 to 15 years for furniture, fixtures and equipment and 2 to 5 years for computers and related equipment. Repairs and maintenance costs are charged to operations as incurred and additions and improvements to premises and equipment are capitalized. Upon sale or retirement, the cost and related accumulated depreciation are removed from the accounts and any gains or losses are reflected in current operations.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stock in Federal Home Loan Bank of Atlanta and Investments accounted for under the Cost Method

As a requirement for membership, the Company invests in stock of the Federal Home Loan Bank of Atlanta ("FHLB"), which is carried at cost. Because of the redemption provisions of the FHLB, the Company estimated that fair value equals cost and that this investment was not impaired at December 31, 2007.

Periodically, the Company invests in nonmarketable equity securities which are accounted for under the cost method. These investments are carried at cost unless a determination has been made that they are impaired. During 2006, management identified a change in the circumstances of one of these investments that resulted in a writedown in its fair value of $83,318. These investments are included in other assets in the accompanying consolidated balance sheets.

Real Estate Owned

Real estate acquired through, or in lieu of, loan foreclosure is initially recorded at fair value at the date of foreclosure establishing a new cost basis. After foreclosure, valuations of the property are periodically performed by management and the real estate is carried at the lower of cost or fair value minus estimated cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in other non-interest expense.

Income Taxes

Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are also recognized for operating loss carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which the temporary differences are expected to be recovered or settled. Deferred tax assets are reduced by a valuation allowance if it is more likely than not that the tax benefits will not be realized.

Comprehensive Income

The Company reports as comprehensive income all changes in stockholders' equity during the year from sources other than shareholders. Other comprehensive income refers to all components (revenues, expenses, gains, and losses) of comprehensive income that are excluded from net income. The Company's only component of other comprehensive income is unrealized gains and losses on investment securities available for sale.

Advertising Costs

Advertising costs are expensed as incurred.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stock Compensation Plans

Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standard ("SFAS") No. 123 (revised 2004), "*Share-Based Payment"*, which was issued by the Financial Accounting Standards Board ("FASB") in December 2004. SFAS No. 123R revises SFAS No. 123 *Accounting for Stock Based Compensation,* and supersedes Accounting Principles Board Opinion ("APB") No. 25, "*Accounting for Stock Issued to Employees"*, and its related interpretations. SFAS No. 123R requires recognition of the cost of employee services received in exchange for an award of equity instruments in the financial statements over the period the employee is required to perform the services in exchange for the award (usually the vesting period). SFAS No. 123R also requires measurement of the cost of employee services received in exchange for an award based on the grant-date fair value of the award. SFAS No. 123R also amends SFAS No. 95 "*Statement of Cash Flows"*, to require that excess tax benefits be reported as financing cash inflows, rather than as a reduction of taxes paid, which is included within operating cash flows.

The Company adopted SFAS No. 123R using the modified prospective application as permitted under SFAS No. 123R. Accordingly, prior period amounts have not been restated. Under this application, the Company is required to record compensation expense for all awards granted after the date of adoption and for the unvested portion of previously granted awards that remain outstanding at the date of adoption. Prior to the adoption of SFAS No. 123R, the Company used the intrinsic value method as prescribed by APB No. 25 and thus recognized no compensation expense for options granted with exercise prices equal to the fair market value of the Company's common stock on the date of grant.

Per Share Results

Basic earnings per share represents income available to common stockholders divided by the weighted-average number of common shares outstanding during the period. Diluted earnings per share reflect 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 Company relate to outstanding stock options, and are determined using the treasury stock method.

The basic and diluted weighted average shares outstanding are as follows:

	2007	**2006**
Weighted average outstanding shares used for basic EPS	1,070,177	1,064,302
Plus incremental shares from assumed exercise of stock options and employee stock purchase plan purchases	49,581	40,935
Weighted average outstanding shares used for diluted EPS	1,119,758	1,105,237

There were no adjustments required to be made to net income in the computation of diluted earnings per share. For the years ended December 31, 2007 and 2006, there were no options that were anti-dilutive as a result of the exercise price exceeding the average market price of the Company's common stock for the year.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Per Share Results (Continued)

On July 17, 2006, the Company's Board of Directors declared a 5% stock dividend, which was distributed on August 31, 2006 to shareholders of record on July 31, 2006. All references to per share results and weighted average common and common equivalent shares outstanding have been adjusted to reflect the effects of these stock dividends.

Recent Accounting Pronouncements

In March 2007, the FASB ratified the consensus reached on EITF 06-10, "Accounting for Collateral Assignment Split-Dollar Life Insurance Arrangements" ("EITF 06-10"). The postretirement aspect of this EITF is substantially similar to EITF 06-4 and requires that an employer recognize a liability for the postretirement benefit related to a collateral assignment split-dollar life insurance arrangement in accordance with either FASB Statement No. 106 or APB Opinion No. 12, as appropriate, if the employer has agreed to maintain a life insurance policy during the employee's retirement or provide the employee with a death benefit based on the substantive agreement with the employee. In addition, a consensus was reached that an employer should recognize and measure an asset based on the nature and substance of the collateral assignment split-dollar life insurance arrangement. EITF 06-10 is effective for the Company on January 1, 2008. The Company does not believe the adoption of EITF 06-10 will have a material impact on its financial position, results of operations or cash flows.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of FASB Statement No. 115" ("SFAS 159"). This statement permits, but does not require, entities to measure many financial instruments at fair value. The objective is to provide entities with an opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. Entities electing this option will apply it when the entity first recognizes an eligible instrument and will report unrealized gains and losses on such instruments in current earnings. This statement 1) applies to all entities, 2) specifies certain election dates, 3) can be applied on an instrument-by-instrument basis with some exceptions, 4) is irrevocable and 5) applies only to entire instruments. One exception is demand deposit liabilities which are explicitly excluded as qualifying for fair value. With respect to SFAS 115, available-for-sale and held-to-maturity securities at the effective date are eligible for the fair value option at that date. If the fair value option is elected for those securities at the effective date, cumulative unrealized gains and losses at that date shall be included in the cumulative-effect adjustment and thereafter, such securities will be accounted for as trading securities. SFAS 159 is effective for the Company on January 1, 2008. The Company is currently analyzing the fair value option that is permitted, but not required, under SFAS 159.

In December 2007, the FASB issued SFAS No. 141(R), "Business Combinations," ("SFAS 141(R)") which replaces SFAS 141. SFAS 141(R) establishes principles and requirements for how an acquirer in a business combination recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any controlling interest; recognizes and measures goodwill acquired in the business combination or a gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. FAS 141(R) is effective for acquisitions by the Company taking place on or after January 1, 2009. Early adoption is prohibited. Accordingly, a calendar year-end company is required to record and disclose business combinations following existing accounting guidance until January 1, 2009. The Company will assess the impact of SFAS 141(R) if and when a future acquisition occurs.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements (Continued)

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51" ("SFAS 160"). SFAS 160 establishes new accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. Before this statement, limited guidance existed for reporting noncontrolling interests (minority interest). As a result, diversity in practice exists. In some cases minority interest is reported as a liability and in others it is reported in the mezzanine section between liabilities and equity. Specifically, SFAS 160 requires the recognition of a noncontrolling interest (minority interest) as equity in the consolidated financials statements and separate from the parent's equity. The amount of net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement. SFAS 160 clarifies that changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation are equity transactions if the parent retains its controlling financial interest. In addition, this statement requires that a parent recognize gain or loss in net income when a subsidiary is deconsolidated. Such gain or loss will be measured using the fair value of the noncontrolling equity investment on the deconsolidation date. SFAS 160 also includes expanded disclosure requirements regarding the interests of the parent and its noncontrolling interests. SFAS 160 is effective for the Company on January 1, 2009. Earlier adoption is prohibited. The Company is currently evaluating the impact, if any, the adoption of SFAS 160 will have on its consolidated financial statements.

Reclassifications

Certain amounts in the 2006 financial statements have been reclassified to conform to the 2007 presentation. The reclassifications had no effect on net income or stockholders' equity as previously reported.

NOTE C – RESTRICTIONS ON CASH

The Bank is required to maintain average balances on hand or with the Federal Reserve Bank. At December 31, 2007 and 2006, these reserve balances amounted to $935,000 and $229,000, respectively.

NOTE D - INVESTMENT SECURITIES

The amortized cost and fair value of investment securities, with gross unrealized gains and losses, are as follows:

	December 31, 2007			
	Amortized cost	**Gross unrealized gains**	**Gross unrealized losses**	**Fair value**
Securities available for sale:				
Government sponsored enterprises	$ 7,055,708	$ 74,382	$ (4,618)	$ 7,125,472
Municipal securities	12,083,261	28,531	(109,423)	12,002,369
Mortgage-backed securities	20,459,823	221,737	(79,940)	20,601,620
	$ 39,598,792	$ 324,650	$ (193,981)	$ 39,729,461

NOTE D - INVESTMENT SECURITIES (Continued)

	December 31, 2006			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Securities available for sale:				
Government sponsored enterprises	$ 8,777,766	$ 38,032	$ (30,698)	$ 8,785,100
Municipal securities	7,910,206	27,058	(49,171)	7,888,093
Mortgage-backed securities	13,085,539	60,733	(134,887)	13,011,385
	$ 29,773,511	$ 125,823	$ (214,756)	$ 29,684,578

The following tables show gross unrealized losses and fair values of investment securities, aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position at December 31, 2007 and 2006. At December 31, 2007, the unrealized losses relate to one government sponsored enterprises, nine mortgage-backed securities and twenty-five municipal securities. All investment securities with unrealized losses are considered by management to be temporarily impaired given the credit ratings on these securities and management's intent and ability to hold these securities until recovery. The unrealized losses relate to debt securities that have incurred fair value reductions due to higher market interest rates since the securities were purchased. The unrealized losses are not likely to reverse unless and until market interest rates decline to the levels that existed when the securities were purchased or until the securities approach their maturity date. Should the Company decide in the future to sell securities in an unrealized loss position, or determine that impairment of any securities is other than temporary, irrespective of a decision to sell, an impairment loss would be recognized in the period such determination is made.

	December 31, 2007					
	Less Than 12 Months		12 Months or More		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Securities available for sale:						
Government sponsored enterprises	$ -	$ -	$ 627,268	$ 4,618	$ 627,268	$ 4,618
Municipal securities	3,549,234	52,583	4,078,315	56,840	7,627,549	109,423
Mortgage-backed securities	-	-	4,911,598	79,940	4,911,598	79,940
Total temporarily impaired available for sale securities	$3,549,234	$ 52,583	$9,617,181	$ 141,398	$13,166,415	$ 193,981

	December 31, 2006					
	Less Than 12 Months		12 Months or More		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Securities available for sale:						
Government sponsored enterprises	$ 710,125	$ 3,834	$2,697,608	$ 26,864	$3,407,733	$ 30,698
Municipal securities	-	-	4,801,426	49,171	4,801,426	49,171
Mortgage-backed securities	725,187	39	6,374,650	134,848	7,099,837	134,887
Total temporarily impaired available for sale securities	$1,435,312	$ 3,873	$13,873,684	$ 210,883	$15,308,996	$ 214,756

Securities with a carrying value of $5.8 million and $5.7 million December 31, 2007 and 2006, respectively, were pledged to secure borrowings.

For the years ended December 31, 2007 and 2006, proceeds from sales of securities available for sale amounted to $0 and $992,828, respectively. From the sales, gross realized losses amounted to $0 and $12,638 and no gross realized gains for the years ended December 31, 2007 and 2006, respectively.

NOTE D - INVESTMENT SECURITIES (Continued)

The amortized cost, fair value and weighted average yield, based on amortized cost, of the Company's investment securities available for sale at December 31, 2007, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value	Weighted Average/ Yield
		(Dollars in thousands)	
Securities available for sale:			
Government sponsored enterprises			
Due within one year	$ 994	$ 996	3.93%
Due after one but within five years	4,608	4,651	5.02%
Due after five but within ten years	1,454	1,478	4.98%
	7,056	7,125	4.86%
Mortgage-backed securities			
Due after five but within ten years	486	472	4.57%
Due after ten years	19,974	20,130	5.20%
	20,460	20,602	5.19%
Municipal securities			
Due after one but within five years	1,080	1,076	3.43%
Due after five but within ten years	1,796	1,799	4.08%
Due after ten years	9,207	9,127	4.23%
	12,083	12,002	4.14%
	$ 39,599	$ 39,729	4.81%

For purposes of the maturity table, mortgage-backed securities, which are not due at a single maturity date, have been allocated over maturity groupings based on the weighted-average contractual maturities of underlying collateral. The mortgage-backed securities may mature earlier than their weighted-average contractual maturities because of principal prepayments.

During 2006, approximately $6.3 million in book value of municipal securities were transferred from held to maturity to available for sale. The related unrealized loss on the securities at the time of transfer was $133,426 and is reflected in other comprehensive income (loss). The reclassification was made in order to have all the Bank's securities classified as available for sale and thereby simplify reporting as well as to create additional ongoing flexibility in the investment portfolio.

NOTE E - LOANS

Following is a summary of loans at December 31, 2007 and 2006:

	2007		2006	
	Amount	Percent of total	Amount	Percent of total
	(Dollars in thousands)			
Residential - mortgage	$ 5,513	4.21%	$ 4,461	3.70%
Residential - construction	3,575	2.73%	3,241	2.69%
Home equity lines of credit	8,980	6.86%	9,372	7.77%
Commercial and industrial loans	104,404	79.77%	96,611	80.07%
Loans to individuals	8,415	6.43%	6,966	5.77%
Total loans	130,887	100.00%	120,651	100.00%
Less:				
Allowance for loan losses	(2,001)		(1,687)	
Deferred loan fees and costs, net	(27)		(32)	
Net loans receivable	$ 128,859		$ 118,932	

Loans are primarily made in Wilson County, North Carolina. Real estate loans can be affected by the condition of the local real estate market. Commercial and installment loans can be affected by local economic conditions.

There was one restructured loan for approximately $7,000 at December 31, 2007 and one restructured loan for approximately $8,000 at December 31, 2006.

The following is a summary of information pertaining to impaired and non-accrual loans:

	December 31,	
	2007	2006
	(in thousands)	
Impaired loans without a valuation allowance	$ 171	$ 1
Impaired loans with a valuation allowance	2,423	1,486
Total impaired loans	$ 2,594	$ 1,487
Valuation allowance related to impaired loans	$ 1,393	$ 151
Total non-accrual loans	$ 2,566	$ 1,369
Total loans past due ninety days or more and still accruing	$ 17	$ -

	Years Ended December 31,	
	2007	2006
	(in thousands)	
Average investment in impaired loans	$ 897	$ 1,569
Interest income recognized on impaired loans	$ 158	$ 121
Interest income recognized on a cash basis on impaired loans	$ 158	$ 121

No additional funds are committed to be advanced in connection with impaired loans.

NOTE E - LOANS (Continued)

Following is a summary of activity in the allowance for loan losses for the years indicated:

	At or for the Years Ended December 31, 2007	2006
	(Dollars in thousands)	
Allowance for loan losses at beginning of year	$ 1,687	$ 1,775
Provision for loan losses	489	942
	2,176	2,717
Loans charged-off:		
Residential - mortgage	(20)	-
Home Equity	(39)	(13)
Multi-family residential	(26)	-
Commercial and industrial	(108)	(1,146)
Loans to individuals	(78)	(137)
Total charge-offs	(271)	(1,296)
Recoveries of loans previously charged-off:		
Commercial and industrial	15	237
Multi-family residential	5	-
Home equity	18	12
Loans to individuals	58	17
Total recoveries	96	266
Net charge-offs	(175)	(1,030)
Allowance for loan losses at end of year	$ 2,001	$ 1,687
Net charge-offs as a percent of average loans outstanding during the year	.14%	.89%
Allowance for loan losses as a percent of loans at period end	1.53%	1.40%

Following is a summary of allocation of the allowance for loan losses to the indicated categories of loans and the percentage that all loans in each category bears to total loans outstanding:

	At December 31, 2007		2006	
	Amount	% of Total Loans	Amount	% of Total Loans
	(Dollars in thousands)			
Residential - mortgage	$ 56	4.21%	$ 62	3.70%
Residential - construction	64	2.73%	45	2.69%
Home equity lines of credit	121	6.86%	131	7.77%
Commercial and industrial loans	1,523	79.77%	1,351	80.07%
Loans to individuals	237	6.43%	98	5.77%
Total	$ 2,001	100%	$ 1,687	100.00%

At December 31, 2007, the Company had loan commitments outstanding of $240,000, pre-approved but unused lines of credit totaling $29.7 million and commercial and standby letters of credit of $834,063. In management's opinion, these commitments represent no more than normal lending risk to the Company and will be funded from normal sources of liquidity.

NOTE E - LOANS (Continued)

The Company has had loan transactions with its directors and executive officers. Such loans were made in the ordinary course of business and on substantially the same terms and collateral as those for comparable transactions prevailing at the time. Such loans did not involve more than the normal risk of collectibility or present other unfavorable features. A summary of related party loan transactions is as follows (in thousands):

	2007	2006
Balance at beginning of year	$ 3,717	$ 3,862
Borrowings	1,952	350
Repayments	(2,290)	(495)
Balance at end of year	$ 3,379	$ 3,717

NOTE F - PREMISES AND EQUIPMENT

Following is a summary of the Company's premises and equipment at December 31, 2007 and 2006:

	2007	2006
Land	$ 848,037	$ 848,037
Buildings	1,248,465	1,248,465
Leasehold improvements	43,451	43,451
Furniture and equipment	881,655	869,643
	3,021,608	3,009,596
Less accumulated depreciation	(824,926)	(697,868)
Total	$ 2,196,682	$ 2,311,728

Depreciation and amortization amounting to $133,468 and $132,749 for the years ended December 31, 2007 and 2006, respectively, is included in occupancy and equipment expense and data processing expense.

The Company leases a branch facility, a loan production office, and certain equipment under separate agreements that expire at various dates through October 31, 2012. Future rentals under these leases are as follows:

2008	$ 89,573
2009	83,045
2010	83,045
2011	59,802
2012	32,400
Thereafter	-
	$ 347,865

Rental expense amounting to approximately $101,000 and $58,000 during the years ended December 31, 2007 and 2006, respectively, is included in occupancy and equipment expense on the accompanying consolidated statements of operations.

NOTE G - DEPOSITS

At December 31, 2007, the scheduled maturities of time deposits (dollars in thousands) are as follows:

2008	$ 103,975
2009	4,722
2010	2,778
2011	247
2012	505
Total	$ 112,227

The above table includes time deposits of $100,000 and over, which at December 31, 2007, totaled $42.1 million. Of that total, $12.5 million had scheduled maturities within three months; $16.3 million after three but within six months; $12.1 million after six but within twelve months; and $1.2 million after twelve months. Time deposits of $100,000 and over totaled $37.8 million at December 31, 2006.

NOTE H - BORROWINGS

The Company may purchase federal funds through unsecured federal funds lines of credit totaling $17.2 million. These lines are intended for short-term borrowings and are subject to restrictions limiting the frequency and term of advances. These lines of credit are payable on demand and bear interest based upon the daily federal funds rate. There were no advances under these lines at December 31, 2007 and 2006 nor were there any amounts outstanding under these lines of credit at any month end during 2007 and 2006. The average amounts outstanding under these lines of credit were $0 for 2007 and $15,175 for 2006.

The Company has an available line of credit with the FHLB equal to 10% of total assets. Advances under this line are secured by eligible securities and qualifying first mortgage loans. The balance of qualifying pledged first mortgage loans as of December 31, 2007 was approximately $5.1 million.

NOTE H - BORROWINGS (Continued)

Advances from the FHLB of Atlanta consisted of the following at December 31, 2007 and 2006:

Maturity	Interest Rate	2007	2006
September 8, 2015	3.93%	$ 5,000,000	$ 5,000,000
July 16, 2012	3.90%	1,250,000	1,250,000
		$ 6,250,000	$ 6,250,000

On July 8, 2005, the Company formed CB Financial Capital Trust I, a Connecticut statutory trust (the "Trust"). On July 12, 2005, the Trust issued and sold $5,000,000 of the Trust's Floating rate preferred securities (the "Trust Preferred Securities") to an institutional investor in a private placement and issued $155,000 in common securities (the "Common Securities") to the Company. The Trust Preferred Securities are fully and unconditionally guaranteed on a subordinated basis by the Company with respect to distributions and amounts payable upon liquidation, redemption or repayment. The proceeds from the Trust's sale of the Trust Preferred Securities and its sale of the Common Securities were used by the Trust to purchase $5,155,000 of the Company's Floating junior subordinated notes (the "Notes"). The net proceeds to the Company from its sale of the Notes to the Trust were invested in the Bank as additional capital to support growth and for other general corporate purposes. The Notes and the Trust Preferred Securities bear an interest rate of 185 basis points over the three-month LIBOR (London Inter-Bank Offered Rate). The Trust Preferred Securities generally rank equal to the Common Securities in priority of payment, but will rank prior to Common Securities if, and so long as, the Company fails to make principal or interest payment on the Notes. The Notes and Trust Preferred Securities each have 30-year lives and will each be callable by the Company or the Trust, at their option, on or after September 15, 2010. The Company has the option to defer interest for up to five years on the debentures. The Notes qualify as Tier I capital under Federal Reserve Board guidelines. Consistent with the provisions of FASB Interpretation ("FIN") No. 46, "*Consolidation of Variable Interest Entities*," the Company has not included the Trust in the consolidated entity. However, the Notes issued by the Company and purchased by the Trust are included on the consolidated balance sheet. In addition, the related interest expense continues to be included on the consolidated income statement.

NOTE I - INCOME TAXES

The significant components of the provision for income taxes for 2007 and 2006 are as follows:

	2007	2006
Current tax provision:		
Federal	$ 485,000	$ 313,000
State	137,000	88,000
	622,000	401,000
Deferred tax provision:		
Federal	(193,000)	101,000
State	(42,000)	22,000
	(235,000)	123,000
Provision for income taxes	$ 387,000	$ 524,000

NOTE I - INCOME TAXES (Continued)

The difference between the provision for income taxes and the amounts computed by applying the statutory federal income tax rate of 34% to income before income taxes is summarized below:

	2007	2006
Tax expense computed at the statutory federal rate	$ 513,000	$ 557,000
Increase (decrease) resulting from:		
State income taxes, net of federal tax effect	63,000	73,000
Nontaxable income	(147,000)	(96,000)
Other, net	(42,000)	(10,000)
Provision for income taxes	$ 387,000	$ 524,000

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of deferred taxes at December 31, 2007 and 2006 are as follows:

	2007	2006
Deferred tax assets relating to:		
Allowance for loan losses	$ 596,000	$ 471,000
Pre-opening costs and expenses	2,000	2,000
Investment securities available for sale	-	34,000
Other	82,000	11,000
Total deferred tax assets	680,000	518,000
Deferred tax liabilities relating to:		
Premises and equipment differences	(94,000)	(144,000)
Prepaid expenses	(18,000)	(15,000)
Investment securities available for sale	(51,000)	-
Other	(8,000)	-
Total deferred tax liabilities	(171,000)	(159,000)
Net deferred tax asset	$ 509,000	$ 359,000

NOTE J - OTHER NON-INTEREST EXPENSE

The major components of other non-interest expense for the years ended December 31, 2007 and 2006 are as follows:

	2007	2006
Postage, printing and office supplies	$ 98,426	$ 97,013
Advertising and promotion	140,452	127,685
Professional services	371,108	274,974
Other	641,100	516,028
Total	$ 1,251,086	$ 1,015,700

NOTE K - REGULATORY MATTERS

The Company is subject to various regulatory capital requirements administered by federal and state 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 Company's consolidated financial statements. Quantitative measures established by regulation to ensure capital adequacy require the Company to maintain minimum amounts and ratios, as set forth in the table below. Management believes, as of December 31, 2007, that the Company meets all capital adequacy requirements to which it is subject. At December 31, 2007 and 2006, the Company's total risk-based capital, Tier 1 risk-based capital, and leverage ratios were 13.69%, 12.67%, and 8.95% and 14.43%, 12.66% and 9.35%, respectively.

As of December 31, 2007, the most recent notification from the 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 amounts and 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 Bank's actual capital amounts (in thousands) and ratios are also presented in the table below:

	For the Bank		Minimum Requirements	
	Capital Amount	**Capital Ratio**	**For Capital Adequacy**	**To Be Well Capitalized**
As of December 31, 2007				
Tier 1 capital (to risk-weighted assets)	$ 17,906	12.05%	4.0%	6.0%
Total capital - Tier 2 capital				
(to risk-weighted assets)	19,765	13.31%	8.0%	10.0%
Leverage - Tier 1 capital (to average assets)	17,906	9.30%	4.0%	5.0%
As of December 31, 2006				
Tier 1 capital (to risk-weighted assets)	$ 16,715	13.1%	4.0%	6.0%
Total capital - Tier 2 capital				
(to risk-weighted assets)	18,306	14.4%	8.0%	10.0%
Leverage - Tier 1 capital (to average assets)	16,715	9.94%	4.0%	5.0%

The Bank may not declare or pay a cash dividend, or repurchase any of its capital stock, if the effect would cause the regulatory net worth of the Bank to fall to an amount which is less than the minimum required by the FDIC and the North Carolina Office of the Commissioner of Banks.

NOTE L - OFF-BALANCE SHEET RISK

The Company 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, undisbursed lines of credit, and standby letters of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheets. The contract or notional amounts of those instruments reflect the extent of involvement the Company has in particular classes of financial instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

NOTE L - OFF-BALANCE SHEET RISK (Continued)

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of conditions established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since some of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank, upon extension of credit is based on management's credit evaluation of the borrower. Collateral obtained varies but may include real estate, stocks, bonds, and certificates of deposit.

A summary of the contract amount of the Company's exposure to off-balance sheet credit risk as of December 31, 2007 is as follows:

Financial instruments whose contract amounts represent credit risk:	
Commitments to extend credit	$ 240,000
Undisbursed lines of credit	29,725,837
Commercial and standby letters of credit	834,063

NOTE M - DISCLOSURES ABOUT FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments include cash and due from banks, interest-bearing deposits in banks, federal funds sold, time deposits, investments, loans, stock in the FHLB of Atlanta, bank-owned life insurance, deposit accounts and borrowings. Fair value estimates are made at a specific moment in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Because no active market readily exists for a portion of the Company's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Due from Banks, Interest-Earning Deposits In Banks and Federal Funds Sold

The carrying amounts for cash and due from banks, interest-earning deposits in banks and federal funds sold approximate fair value because of the short maturities of those instruments.

Time Deposits

The fair value of time deposits is estimated using rates currently offered for instruments of similar maturity.

NOTE M - DISCLOSURES ABOUT FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Investment Securities

Fair value for investment securities equals quoted market price if such information is available. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities.

Loans

For certain homogenous categories of loans, such as residential mortgages, fair value is estimated using the quoted market prices for securities backed by similar loans, adjusted for differences in loan characteristics. The fair value of other types of loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

Accrued Interest

The carrying amounts of accrued interest approximate fair value.

Stock in Federal Home Loan Bank of Atlanta

The fair value for FHLB stock approximates carrying value, based on the redemption provisions of the FHLB.

Investment in Bank-Owned Life Insurance

The carrying value of life insurance approximates fair value because this investment is carried at cash surrender value, as determined by the insurer.

Deposits and Borrowings

The fair value of demand, savings, money market and NOW deposits is the amount payable on demand at the reporting date. The fair value of time deposits and borrowings is estimated based on discounting cash flows using the rates currently offered for instruments of similar remaining maturities.

Financial Instruments with Off-Balance Sheet Risk

With regard to financial instruments with off-balance sheet risk discussed in Note L, it is not practicable to estimate the fair value of future financing commitments.

NOTE M - DISCLOSURES ABOUT FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Financial Instruments with Off-Balance Sheet Risk (Continued)

The carrying amounts and estimated fair values of the Company's financial instruments, none of which are held for trading purposes, are as follows at December 31, 2007 and 2006:

	2007		2006	
	Carrying amount	**Estimated fair value**	**Carrying amount**	**Estimated fair value**
	(In thousands)			
Financial assets:				
Cash and due from banks	$ 4,543	$ 4,543	$ 4,321	$ 4,321
Interest-earning deposits in banks	3,887	3,887	4,183	4,183
Federal funds sold	2,000	2,000	5,879	5,879
Time deposits	4,373	4,373	1,140	1,140
Investment securities available for sale	39,729	39,729	29,685	29,685
Accrued interest receivable	953	953	887	887
Federal Home Loan Bank stock	597	597	594	594
Investment in bank-owned life insurance	4,533	4,533	1,390	1,390
Loans	128,859	130,133	118,932	118,955
Financial liabilities:				
Deposits	169,091	164,297	147,411	147,397
Borrowings	11,405	11,368	11,405	11,092
Accrued interest payable	230	230	271	271

NOTE N - EMPLOYEE AND DIRECTOR BENEFIT PLANS

401(k) Plan

The Company has a 401(k) Plan (the "Plan") in which substantially all employees participate. The Company makes matching contributions equal to 100 percent of the first 6 percent of an employee's compensation contributed to the Plan. Matching contributions vest to the employee equally over a four-year period. For the years ended December 31, 2007 and 2006, expense attributable to the Plan amounted to $98,682 and $81,850, respectively.

Stock Option Plans

During 2002 the Company adopted, with shareholder approval, an Employee Stock Option Plan (the "Employee Plan") and a Director Stock Option Plan (the "Director Plan"). Each plan makes available options to purchase 80,284 shares (adjusted for all stock dividends) of the Company's common stock for an aggregate number of common shares reserved for options equal to 160,568. All options granted originally were scheduled to vest over five years, with 20% vesting on the first anniversary of the grant date, and 20% vesting annually thereafter. During 2005, an amendment was made to the plan providing for accelerated vesting of all options, resulting in all options being immediately vested. All unexercised options expire ten years after the date of grant. A summary of the Company's option plans as of and for the years ended December 31, 2007 and 2006, giving effect to a 5% stock dividend in 2006, is as follows:

NOTE N - EMPLOYEE AND DIRECTOR BENEFIT PLANS (Continued)

Stock Option Plans (Continued)

			Outstanding Options		Exercisable Options	
	Shares in Plans	Shares Available for Future Grants	Number Outstanding	Weighted Average Exercise Price	Number Outstanding	Weighted Average Exercise Price
At December 31, 2005	160,568	32,086	128,482	$ 9.93	128,482	$ 9.93
Options granted/vested	-	-	-	-	-	-
Options forfeited	-	-	-	-	-	-
At December 31, 2006	160,568	32,086	128,482	9.93	128,482	9.93
Options granted/vested						
Options forfeited		6,945	6,945		6,945	
At December 31, 2007	160,568	39,031	121,537	$ 9.93	121,537	$ 9.93

The weighted average remaining life of all options outstanding as of December 31, 2007, all of which have an exercise price of $9.93, is 5.7 years.

The aggregate intrinsic value of all options outstanding was $1,223,375 as of December 31, 2007. All options outstanding were exercisable as of both dates.

Employment Agreements

The Company has entered into an employment agreement with its chief executive officer to ensure a stable and competent management base. This agreement provides for benefits as spelled out in the contract and cannot be terminated by the Board of Directors, except for cause, without prejudicing the officer's right to receive certain vested rights, including compensation. In the event of a change in control of the Company, as outlined in the agreement, the acquirer will be bound to the terms of this contract.

The Company also has entered into agreements with four executive officers which provide for severance pay benefits in the event of a change in control of the Company resulting in the termination of such executive officers or diminished compensation, duties or benefits.

Employee Stock Purchase Plan

The Employee Stock Purchase Plan (the "Purchase Plan") is a voluntary plan that enables full-time employees of the Company and its subsidiary to purchase shares of our common stock. The Purchase Plan is administered by a committee of the Board of Directors, which has broad discretionary authority to administer the Purchase Plan. The Company's Board of Directors may amend or terminate the Purchase Plan at any time. The Purchase Plan is not intended to be qualified as an employee stock purchase plan under Section 423 of the Internal Revenue Code of 1986, as amended.

Once a year, participants in the Purchase Plan purchase the Company's common stock at the lesser of: (a) eighty-five percent (85%) of the fair market value of the common stock on the date of grant, or (b) eighty-five percent (85%) of the fair market value of the common stock on the purchase date. Participants are permitted to purchase shares under the Purchase Plan up to a maximum purchase amount not to exceed $25,000 in fair market value.

NOTE N - EMPLOYEE AND DIRECTOR BENEFIT PLANS (Continued)

As of December 31, 2007, 44,100 shares (adjusted for all stock dividends) of our common stock had been reserved for issuance under the Purchase Plan and 16,155 shares have been purchased under the plan, of which 2,956 shares were purchased during 2007 and 5,955 were purchased during 2006.

Total stock based compensation expense under the Purchase Plan was $27,562 in 2007.

NOTE O - PARENT COMPANY FINANCIAL DATA

CB Financial Corporation became the holding company for Cornerstone Bank on June 8, 2005. Following are condensed financial statements of CB Financial Corporation as of and for the years ended December 31, 2007 and 2006 presented in thousands.

Condensed Balance Sheets
December 31, 2007 and 2006

	2007	2006
Assets:		
Cash on deposit in subsidiary	$ 88	$ 100
Investment in subsidiary bank	17,986	16,660
Other assets	169	155
Total assets	$ 18,243	$ 16,915
Liabilities:		
Junior subordinated debentures	$ 5,155	$ 5,155
Other liabilities	14	16
Total liabilities	5,169	5,171
Stockholders' equity:		
Common stock	10,659	10,586
Retained earnings	2,335	1,212
Accumulated other comprehensive loss	80	(54)
Total stockholders' equity	13,074	11,744
Total liabilities and stockholders' equity	$ 18,243	$ 16,915

Condensed Statements of Operations
Years Ended December 31, 2007 and 2006

	2007	2006
Equity in undistributed net income of bank subsidiary	$ 1,191	$ 1,176
Dividends from bank subsidiary	275	395
Interest income	11	11
Interest expense	(382)	(361)
Other expense	(201)	(106)
Income tax benefit	228	-
Net income	$ 1,122	$ 1,115

NOTE O - PARENT COMPANY FINANCIAL DATA (Continued)

Condensed Statements of Cash Flows
Years Ended December 31, 2007 and 2006

	2007	2006
Operating activities:		
Net income	$ 1,122	$ 1,115
Undistributed net income of bank subsidiary	(1,191)	(1,176)
Compensation expense	28	23
Increase in other assets	(14)	-
Increase (decrease) in other liabilities	(2)	2
	(57)	(36)
Investing activities:		
Investment in subsidiary	-	-
Fractional shares paid	-	(12)
	-	(12)
Financing activities:		
Issuance of common stock	45	73
	45	73
Net increase (decrease) in cash	(12)	25
Cash, beginning of period	100	75
Cash, end of period	$ 88	$ 100

NOTE P – SUBSEQUENT EVENT

On February 26, 2008, a meeting of the stockholders was held and various amendments to the Company's Articles of Incorporation were approved that resulted in a reduction in the number of common stockholders to fewer than 300, thereby enabling a plan to deregister the Company's common stock under the Securities Exchange Act of 1934, as amended, and, therefore, terminate its obligations to file reports with the Securities and Exchange Commission.

The amendments to the Company's Articles of Incorporation provided for the following: (i) a 1-for-132 reverse stock split of the Company's common stock with a cash payout for fractional shares resulting from the reverse split (the "Reverse Stock Split"), (ii) a 132-for-1 forward stock split to be effective following the Reverse Stock Split (the "Forward Stock Split"), (iii) the conversion of all outstanding shares of Common Stock held by record shareholders owning fewer than 264 shares following the Reverse Stock Split and the Forward Stock Split to a new class of Series B Preferred Stock and (iv) the conversion of all outstanding shares of Common Stock held by record shareholders owning 264 or more shares, but fewer than 792 shares, following the Reverse Stock Split and the Forward Stock Split to a new class of Series A Preferred Stock (the Series A and Series B conversions, collectively, are the "Conversions").

Stockholders received cash in lieu of any fractional shares resulting from the transactions equal to $20.00 for each pre-split share. Such payments totaled approximately $747,000, which will result in a reduction in the Company's capital of the same amount.

Effective immediately, the Company will no longer file periodic reports with the Securities and Exchange Commission, including annual reports on Form 10-KSB and quarterly reports on Form 10-QSB, and as of June 1, 2008 it will no longer be subject to the SEC's proxy rules.

DIRECTORS

John C. Anthony
Partner: Anthony, Moore and Tabb CPA's

Robert E. Kirkland III
Owner/Manager of Barnes Motor & Parts Co., Inc.

Judy A. Muirhead
Owner/ Manager of JAM Properties, JAM Rentals
and JAM Investments

W. Coalter Paxton III
President of Paxton Mini Storages, Inc. and PBS
Storage, Inc. and Manager of Paxton Bonded Warehouse, Inc.

Norman B. Osborn
President and CEO
Cornerstone Bank

Gregory A. Turnage
Owner and President of PLT Construction Inc., PLT Concrete Services, Inc., PLT Utilities, Inc. and
President of T. & H. Electric, Inc.

Rex D. Williams
Chief Financial Officer
Cornerstone Bank

S. Christopher Williford
President and Owner of Southern Piping Company, Inc.

David W. Woodard
Secretary for Cornerstone Bank
Law Partner, Connor, Bunn, Rogerson & Woodard

EXECUTIVE OFFICERS

Norman B. Osborn
President and CEO

G. Brooks Batchelor
Executive Vice President, Sr. Business Development Officer

Robert K. Ladd III
Executive Vice President, Chief Lending Officer

Robert W. Kernodle
Executive Vice President, Chief Information Officer

Dora E. Kicklighter
Chief Operations Officer

Rex D. Williams
Chief Financial Officer

Office Location

3710 Nash Street North
Wilson, NC 27896
www.thecornerstonebank.com

Regulatory and Securities Counsel

Brooks, Pierce, McLendon
Humphrey & Leonard, L.L.P.
P. O. Box 26000
Greensboro, NC 27420

Stock Transfer Agent

First-Citizens Bank & Trust Company
Corporate Trust Dept.
100 East Tryon Road
Raleigh, NC 27603

Independent Auditors

Elliott Davis, PLLC
Certified Public Accountants
Post Office Box 760
Galax, VA 24333

Common Stock

The Company had 1,073,145 shares of common stock outstanding which were held by approximately 1,325 holders of record (excluding shares held in street name) as of December 31, 2007. To date, the Company has not paid any cash dividends.

Market for the Common Stock

There is no public trading market for the Company's common stock. Certain sales have been facilitated by the Company in 2007 and 2006, all of which were, to the knowledge of management, at prices ranging from $17.75 to $20.00 per share. The price paid for the Company's common stock in the last trade known to management to have occurred during 2007 was $20.00, which trade occurred on December 20, 2007.

Annual Shareholders Meeting

The 2007 Annual Meeting of shareholders of CB Financial Corporation will be held at 10:00 a.m. on May 29, 2008 at Something Different, 3342 Airport Boulevard, Wilson, North Carolina 27896.

This Annual Report serves as the annual financial disclosure statement furnished pursuant to the Federal Deposit Insurance Corporation's rules and regulations. This statement has not been reviewed or confirmed for accuracy or relevance by the Federal Deposit Insurance Corporation.