CB

Financial Corporation

2009 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

April 28, 2010

Dear Shareholders,

The local and national economy suffered additional stress during 2009 as foreclosures and bankruptcies continued unabated and unemployment stayed at very high levels. CB Financial Corporation, the single bank holding company for Cornerstone Bank, certainly felt the impact of these financial woes as troubled loans and charge-offs grew to the highest level we have seen in our ten years in business. As a result, the Company posted a loss of $4.3 million for the year as we provided substantial additions to our loan loss reserves and managed through its problem loans. Net charge-offs for the year were $4.6 million. We also added $4.9 million to our loan loss reserves, bringing the total allowance for loan losses to $2.9 million, or 2.17% of loans, as of December 31, 2009.

As we've said before, the problem loans that we have are not sub-prime mortgages or large, exotic loans in other states—they are largely loans to customers that are our friends and neighbors living in our community. We are taking all possible steps to expeditiously work through these problems and we see signs that the economy, and our loan portfolio, is improving. There is still plenty of work to do, but we feel that the right people and processes are in place to bring substantial improvement over the coming months.

So what have we done to help us ride through this storm? In addition to all of our efforts on resolving problem assets, we have reduced the size of the balance sheet, as total assets declined from $204.7 million at December 31, 2008, to $193.0 million at December 31, 2009. Loans declined by $11.6 million, to $134.3 million, during the same period. Thanks to an outstanding and loyal group of customers, deposits only declined slightly during the year and were $161.3 million at year end. This deposit retention and the reduction in loans enabled the Bank to reduce its borrowings by approximately $7.5 million.

Even though we were impacted by costs associated with resolving problem assets and much higher FDIC insurance premiums, we made significant efforts to reduce or better control personnel and other expenses during the year. We pledge to continue pursuing ways to improve the financial position and profitability of the Company.

Of course, the losses incurred over the last two years have negatively impacted our capital, this is the cushion we had available for the type of financial stress we have been through, but also is what allows us to grow and better serve our community and reward our stockholders. Given this, we are currently in the process of seeking additional capital and hope to soon be back in a position to resume the growth and prosperity that we have enjoyed for most of our ten year history.

We look forward to serving you for another 10 years and beyond.

For now, we will focus on things we can control and appreciate our market as it is, not necessarily the way we want it to be. Certainly we do not welcome bankruptcies, foreclosures and unemployment. They hurt our friends and neighbors, they hurt our Bank and they hurt our community. We will help our customers as much as we reasonably can. Our high loan loss reserves are for "worst-case" scenarios. We must do that. If we become pleasantly surprised on some of these credits, those reserves can be slowly moved back to the profit side.

There are no quick fixes. Interest rates have remained stable, and probably will remain that way much of the coming year. Recovery is slow, but visible. That mirrors our performance as your community bank.

We our pleased that, even though we retracted in asset size, our Wilson County deposit market share increased by a remarkable 1.61 percent. We now have 16.25 percent of all deposits in Wilson County, and we continue to open new customer relationships every day. We are the community's bank and will do our best to return the loyalty we have been shown.

We have not backed off our support for the community. We are the lead sponsor for The Brittany Willis Soccer Scholarship Showcases, which bring the top high school boys and girls teams here twice a year. We are a lead sponsor for the Theater of the American South, providing several spring weekends of plays, cooking demonstrations, and other activities that celebrate our Southern culture. We support our schools, our arts, our Chamber of Commerce, and other causes that add to our quality of life here.

Our 2nd 50 Club provides seminars and trips and other activities. We build long-lasting relationships with our customers, and the "stickiness" with the Bank is very strong. Our products and services are homemade and designed for our customers and market.

One customer said that, despite the economic difficulties, this Bank was doing business as with friends, exactly the same way it did when it opened 10 years ago. Overheard, another customer injected: "Only better!"

So despite the worldwide, nationwide, statewide, and countywide economic woes, we are surviving and looking forward to 2010 and the years to come. We're connecting with customers and prospects, and open for business as usual. We believe in community banking, and that community banks remain the backbone of small business in our nation.

Certainly the following pages show results that are not what you expect. But as we all know, this, too, will pass and soon enough we'll be back to showing profits and proving your wisdom in being involved with this Bank. From day one we have promised a mission of serving this community, and we will continue that mission. We promised a long-term investment, and we still believe in that as well. We pledge to show you our commitment and welcome you to do the same.

Sincerely,

Norman B. Osborn
President and CEO

John C. Anthony
Board Chairman

elliott davis

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, 2009 and 2008, 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, 2009 and 2008 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 29, 2010

104 Cranberry Road, P.O. Box 760, Galax, VA 24333 Phone: 276.238.1800 Fax: 276.238.1801 elliottdavis.com

CB FINANCIAL CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
December 31, 2009 and 2008

	2009	2008
ASSETS		
Cash and due from banks	$ 3,303,226	$ 3,102,844
Interest-earning deposits in banks	8,748,210	4,517,689
Time deposits	379,663	606,500
Investment securities available for sale,		
at fair value (Note D)	34,303,947	40,074,904
Loans (Note E)	134,316,091	145,895,371
Allowance for loan losses	(2,886,498)	(2,532,773)
NET LOANS	131,429,593	143,362,598
Accrued interest receivable	764,729	883,285
Stock in Federal Home Loan Bank of Atlanta, at cost	1,268,400	1,480,900
Premises and equipment, net of depreciation (Note F)	2,019,640	2,118,168
Bank-owned life insurance	4,918,850	4,722,287
Real estate owned	3,376,692	1,033,059
Other assets	2,482,022	2,803,409
TOTAL ASSETS	$ 192,994,972	$ 204,705,643
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Demand	$ 14,002,271	$ 12,005,482
Savings	1,675,647	1,223,303
Money market and NOW	40,389,133	38,575,817
Time (Note G)	105,261,241	110,046,545
TOTAL DEPOSITS	161,328,292	161,851,147
Short term borrowings (Note H)	5,250,000	6,000,000
Long term borrowings (Note H)	12,500,000	17,750,000
Junior subordinated Note (Note H)	5,155,000	5,155,000
Federal funds purchased	-	1,494,000
Accrued interest payable	110,531	232,386
Accrued expenses and other liabilities	856,486	490,252
TOTAL LIABILITIES	185,200,309	192,972,785
Commitments (Notes L and N)		
Stockholders' equity (Notes K and N):		
Preferred stock, 20,000,000 shares authorized,		
244,302 issued and outstanding	2,458,434	2,458,434
Common stock, no par value, 80,000,000		
shares authorized; 843,715		
shares issued and outstanding	8,553,484	8,542,744
Retained earnings (deficit)	(3,859,006)	482,639
Accumulated other comprehensive income	641,751	249,041
TOTAL STOCKHOLDERS' EQUITY	7,794,663	11,732,858
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 192,994,972	$ 204,705,643

See accompanying notes.

CB FINANCIAL CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
Years Ended December 31, 2009 and 2008

	2009	2008
INTEREST INCOME		
Loans	$ 7,763,660	$ 8,758,272
Investment securities—taxable	1,718,582	1,920,805
Investment securities—tax exempt	62,680	97,725
Federal funds sold	2,662	13,867
Interest-earning deposits in banks	36,253	34,001
Other interest and dividends	27,839	236,719
TOTAL INTEREST INCOME	9,611,676	11,061,389
INTEREST EXPENSE		
Money market, NOW and savings deposits	368,427	748,770
Time deposits	3,257,758	3,815,497
Short term borrowings	2,499	49,704
Long term borrowings	787,509	975,179
TOTAL INTEREST EXPENSE	4,416,193	5,589,150
NET INTEREST INCOME	5,195,483	5,472,239
PROVISION FOR LOAN LOSSES (Note E)	4,912,757	2,718,096
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	282,726	2,754,143
NON-INTEREST INCOME		
Service charges on deposit accounts	419,105	523,821
Mortgage operations	165,911	161,889
Gain/loss on sale of investment securities	-	33,545
Income from bank owned insurance	196,546	189,839
Impairment of cost method investments	(86,467)	(73,870)
Other income	459,133	420,955
TOTAL NON-INTEREST INCOME	1,154,228	1,256,179
NON-INTEREST EXPENSE		
Salaries and employee benefits	3,137,724	3,277,947
Occupancy and equipment	347,721	392,717
Data processing expenses	740,170	727,769
Expense on other real estate owned, net	528,757	51,702
Other (Note J)	1,735,747	1,378,174
TOTAL NON-INTEREST EXPENSE	6,490,119	5,828,309
LOSS BEFORE INCOME TAXES	(5,053,165)	(1,817,987)
INCOME TAXES (Note I)	(711,520)	(1,001,000)
NET LOSS	(4,341,645)	(816,987)
PREFERRED STOCK DIVIDENDS	-	(2,120)
LOSS APPLICABLE TO COMMON STOCKHOLDERS	$ (4,341,645)	$ (819,107)
NET LOSS PER COMMON SHARE		
Basic	$ (5.15)	$ (0.97)
Diluted	(5.15)	(0.97)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING		
Basic	843,715	843,176
Diluted	843,715	843,176

See accompanying notes.

CB FINANCIAL CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years Ended December 31, 2009 and 2008

	2009	2008
NET LOSS	$ (4,341,645)	$ (816,987)
OTHER COMPREHENSIVE INCOME:		
Securities available for sale:		
Unrealized holding gains on available-for-sale securities	639,125	274,694
Tax effect	(246,415)	(105,949)
TOTAL OTHER COMPREHENSIVE INCOME	392,710	168,745
COMPREHENSIVE LOSS	$ (3,948,935)	$ (648,242)

See accompanying notes.

CB FINANCIAL CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Years Ended December 31, 2009 and 2008

	Common Stock	Preferred Stock A	Preferred Stock B	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance, December 31, 2007	$ 10,658,628	$ -	$ -	$2,335,206	$ 80,296	$ 13,074,130
Comprehensive loss						
Net loss	-	-	-	(816,987)	-	(816,987)
Other comprehensive income	-	-	-	-	168,745	168,745
Reorganization	(2,970,894)	1,742,789	486,565	-	-	(741,540)
5% stock dividend	804,380	185,640	43,440	(1,033,460)	-	-
Cash dividend	-	-	-	(2,120)	-	(2,120)
Issuance of common stock	8,743	-	-	-	-	8,743
Stock based compensation expense	41,887	-	-	-	-	41,887
Balance, December 31, 2008	8,542,744	1,928,429	530,005	482,639	249,041	11,732,858
Comprehensive loss						
Net loss	-	-	-	(4,341,645)	-	(4,341,645)
Other comprehensive income	-	-	-	-	392,710	392,710
Stock based compensation expense	10,740	-	-	-	-	10,740
Balance, December 31, 2009	$ 8,553,484	$ 1,928,429	$ 530,005	$ (3,859,006)	$ 641,751	$ 7,794,663

	Shares Outstanding		
	Common	Preferred A	Preferred B
Balance, December 31, 2007	1,073,145	-	-
Reorganization	(270,189)	182,028	50,820
5% stock dividend	40,219	9,282	2,172
Issuance of common stock	540	-	-
Balance, December 31, 2008	843,715	191,310	52,992
No activity	-	-	-
Balance, December 31, 2009	843,715	191,310	52,992

See accompanying notes.

CB FINANCIAL CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2009 and 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (4,341,645)	$ (816,987)
Adjustments to reconcile net loss to		
net cash provided by operating activities:		
Depreciation and accretion, net	84,105	105,284
Non-cash stock compensation expense	10,740	41,887
Impairment of cost method investments	86,467	73,870
Realized gain on available for sale securities	-	(33,715)
Loss on sale of bank equipment	-	1,055
(Gain) loss on sale of real estate owned	169,690	(24,747)
Write down of real estate owned	342,611	46,105
Provision for loan losses	4,912,757	2,718,096
Earnings on bank-owned life insurance	(196,546)	(188,934)
Deferred income tax benefit	365,351	(208,000)
Change in assets and liabilities:		
Decrease in accrued interest receivable	118,556	69,682
Increase in other assets	(376,863)	(831,392)
Increase (decrease) in accrued interest payable	(121,855)	2,437
Increase in accrued expenses and other liabilities	366,233	190,527
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,419,601	1,145,168
CASH FLOWS FROM INVESTING ACTIVITIES		
Net maturities of time deposits	226,837	3,766,569
Purchase of available for sale investments	(743,322)	(9,539,871)
Sales of available for sale investments	-	2,650,697
Proceeds from sale of real estate owned	1,210,094	251,015
Net renovations to real estate owned	(38,804)	(40,572)
Proceeds from maturities and calls of available for sale investment	7,199,239	6,883,639
Net decrease (increase) in loans	2,993,024	(17,866,984)
Net purchase (redemption) of Federal Home Loan Bank stock	212,500	(884,200)
Purchase of investments accounted for under the cost method	-	(144,500)
Sale of investments accounted for under the cost method	-	10,000
Purchases of bank premises and equipment	(31,411)	(59,325)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	11,028,157	(14,973,532)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in deposits	(522,855)	(7,240,262)
Issuance of common stock	-	8,743
Reorganization	-	(741,540)
Cash dividends	-	(2,120)
(Decrease) increase in FHLB advances	(6,000,000)	17,500,000
Net change in federal funds purchased	(1,494,000)	1,494,000
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(8,016,855)	11,018,821
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,430,903	(2,809,543)
CASH AND CASH EQUIVALENTS, BEGINNING	7,620,533	10,430,076
CASH AND CASH EQUIVALENTS, ENDING	$ 12,051,436	$ 7,620,533

Continued

CB FINANCIAL CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS, continued
Years Ended December 31, 2009 and 2008

	2009	2008
CASH AND CASH EQUIVALENTS		
Cash and due from banks	$ 3,303,226	$ 3,102,844
Interest-earning deposits in banks	8,748,210	4,517,689
	$ 12,051,436	$ 7,620,533
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	$ 4,538,048	$ 5,586,713
Income taxes paid	-	10,000
Unrealized gain on investment securities available for sale, net	392,710	168,745
Transfer from loans to real estate owned	4,027,224	608,240
Transfer from loans to other assets	-	37,345
Reorganization transfer from common to preferred stock	-	2,229,354

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 stockholders of 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.

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 stockholders 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 stockholders 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. 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 $741,540.

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 (GAAP) 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" and "Interest-earning deposits in banks".

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the un-collectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions and environmental factors. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status and other circumstances impacting the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for commercial and construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

The allowance consists of specific, general and unallocated components. The specific component relates to loans that are classified as impaired, for which an allowance is established when the discounted cash flows (or collateral value or observable market price) of the loan is lower than its carrying value. The general component covers non-impaired loans and is based on historical loss experience adjusted for qualitative factors. Historical losses are categorized into risk-similar loan pools and a loss ratio factor is applied to each group's loan balances to determine the allocation.

An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Loan Losses, continued

Qualitative and environmental factors include external risk factors that management believes affect the overall lending environment of the Company. Environmental factors that management of the Company routinely analyze include levels and trends in delinquencies and impaired loans, levels and trends in charge-offs and recoveries, trends in volume and terms of loans, effects of changes in risk selection and underwriting practices, experience, ability, and depth of lending management and staff, national and local economic trends and conditions, banking industry conditions, and the effect of changes in credit concentrations.

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

The 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.

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, 2009.

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 2009, management identified a change in the circumstances of one of these investments that resulted in a write down in its fair value of $86,467 and in 2008 a write down of $73,870. 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.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes, continued

It is the Bank's policy to evaluate uncertain tax positions. As of December 31, 2009 and 2008, the Company had no uncertain tax positions requiring disclosure or recognition.

Comprehensive Income

The Company reports as comprehensive income all changes in stockholders' equity during the year from sources other than stockholders. 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.

Stock Compensation Plans

The Company recognizes compensation cost relating to share-based payment transactions in the financial statements in accordance with generally accepted accounting principles. The cost is measured based on the fair value of the equity or liability instruments issued. The expense measures the cost of employee services received in exchange for stock options based on the grant-date fair value of the award, and recognizes the cost over the period the employee is required to provide services for the award.

Per Share Results

As discussed in Note A, shares of Series A and B Preferred Stock were issued in 2008 in accordance with amendments to the Articles of Incorporation. Series A and Series B Preferred Stockholders are entitled to vote only as required by law, or upon any merger or acquisition of all or substantially all of the capital stock or assets of the Company. Series A Preferred Stockholders, except with respect to the Series B Preferred Dividend, are entitled to a preference in the distribution of dividends so that the holders of Series A shall receive dividends prior to the holders of common stock and Series B Preferred Stock.

Series B Preferred Stock may be converted to shares of common stock at the discretion of the Board of Directors. Both Series A and Series B Preferred Stock will automatically convert into shares of common stock immediately prior to the closing of a Change of Control.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Per Share Results, continued

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 Series B Preferred Stock, and are determined using the treasury stock method.

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

	2009	2008
Weighted average outstanding shares used for basic EPS	843,715	843,176
Plus incremental shares from assumed exercise of stock options, employee stock purchase plan purchases and preferred stock conversion.	-	-
Weighted average outstanding shares used for diluted EPS	843,715	843,176

For the years ended December 31, 2009 and December 31, 2008, the conversion of Series B Preferred Stock and stock options are not considered in the computation of diluted earnings per share as the effect of their inclusion would have been anti-dilutive.

On February 26, 2008, the Company's Board of Directors declared a 5% stock dividend, which was distributed on April 14, 2008 to stockholders of record on March 31, 2008. 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

The following is a summary of recent authoritative pronouncements that could impact the accounting, reporting, and/or disclosure of financial information by the Company.

In June 2009, the Financial Accounting Standards Board ("FASB") issued guidance which restructured generally accepted accounting principles ("GAAP") and simplified access to all authoritative literature by providing a single source of authoritative nongovernmental GAAP. The guidance is presented in a topically organized structure referred to as the FASB Accounting Standards Codification ("ASC"). The new structure is effective for interim or annual periods ending after September 15, 2009. All existing accounting standards have been superseded and all other accounting literature not included is considered non-authoritative.

Guidance was issued in April 2009 on categorizing other-than-temporarily impaired losses on debt securities into losses due to credit issues or losses related to other factors (such as interest rates). Other-than-temporary impairment (OTTI) exists when it is more likely than not that a security will mature or be sold before its amortized cost basis can be recovered. An OTTI related to credit losses should be recognized through earnings. An OTTI related to other factors should be recognized in other comprehensive income. The guidance is effective for the Company for the year ended December 31, 2009 and had no impact on the financial statements.

In April 2009, guidance was issued recognizing that quoted prices may not be determinative of fair value when the volume and level of trading activity has significantly decreased. Fair value should be the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction, not a forced liquidation or distressed sale. If a transaction is considered to not be orderly, little, if any, weight should be placed on the transaction price. An entity's intention to hold an asset or liability is not relevant in determining fair value. The guidance is effective for the Company for the year ended December 31, 2009 and had no impact on the financial statements.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Guidance providing when a subsequent event should be recognized in the financial statements was issued in June 2009. Subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet should be recognized at the balance sheet date. Subsequent events that provide evidence about conditions that arose after the balance sheet date but before financial statements are issued, or are available to be issued, are not required to be recognized. The date through which subsequent events have been evaluated must be disclosed as well as whether it is the date the financial statements were issued or the date the financial statements were available to be issued. The guidance is effective for the year ending December 31, 2009 and the required disclosure has been included in the notes to the consolidated financial statements.

The FASB issued new accounting guidance on accounting for transfers of financial assets in June 2009. The guidance limits the circumstances in which a financial asset should be derecognized when the transferor has not transferred the entire financial asset by taking into consideration the transferor's continuing involvement. The standard requires that a transferor recognize and initially measure at fair value all assets obtained (including a transferor's beneficial interest) and liabilities incurred as a result of a transfer of financial assets accounted for as a sale. The standard is effective January 1, 2010. The ASC was amended in December, 2009, to include this guidance.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies are not expected to have a material impact on the Company's financial position, results of operations or cash flows.

Reclassifications

Certain amounts in the 2008 financial statements have been reclassified to conform to the 2009 presentation. The reclassifications had no effect on net income or stockholders' equity as previously reported.

Subsequent events

The Bank, the North Carolina Commissioner of Banks and the Federal Deposit Insurance Corporation entered into a Consent Order effective February 11, 2010. Although the Bank neither admits nor denies any unsafe or unsound banking practices or violations of law or regulation, in the Consent Order the Bank agreed with the Commissioner and the FDIC (the "Supervisory Authorities") to undertake a number of actions:

- The Board of Directors of the Bank will enhance its supervision of the Bank's activities, including by increasing the frequency of its meetings, developing a directors' education program, and appointing a special Directors' Committee. The Committee will oversee the efforts of the Bank's management in complying with the Consent Order and will regularly report to the full Board.
- The Bank Board will assess the Bank's management team to ensure that the Bank's executive officers have the skills, training, abilities and experience needed to cause the Bank to comply with the Consent Order, operate in a safe and sound manner, comply with applicable laws and regulations, and strengthen all areas of the Bank's operations that are not currently in compliance with the Consent Order. The Board will also assess the Bank's management and staffing needs in order to determine if additional resources should be added to the management team.
- The Bank will maintain Tier 1 Capital of at least 8% of total assets (exclusive of the Bank's allowance for loan losses) and a Total Risk Based Capital Ratio of at least 12% during the effectiveness of the Consent Order.
- The Bank will develop and implement a plan for achieving and maintaining the foregoing capital levels, which plan may include sales of stock by CB Financial Corporation and contributions of the sales proceeds by CB Financial Corporation to the capital of the Bank.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent events, continued

- The Board will review the Bank's allowance for loan losses to determine its adequacy and will enhance its periodic reviews of the allowance to ensure its continuing adequacy. Deficiencies noted will be promptly remedied by charges to earnings.
- The Bank will develop and implement a strategic plan covering at least three years and containing long-term goals designed to improve the condition of the Bank.
- The Bank charged off all of its assets (loans) classified "Loss" and 50% of its assets (loans) classified "Doubtful" promptly following the effectiveness of the Consent Order.
- The Bank will not extend additional credit to any borrower who had a loan with the Bank that was charged off or who has a current loan that is classified "Loss" or "Doubtful". The Bank also will not extend additional credit to any borrower who has a current loan that is classified "Substandard". With the approval of the Supervisory Authorities, a further extension of credit may be made to a borrower with a "Substandard" loan if such extension would be in the best interests of the Bank.
- The Bank will formulate a detailed plan to collect, charge off or improve the quality of each of its "Substandard" or "Doubtful" loans as of May 26, 2009 of more than $200,000 and will promptly implement the plan. The Board will closely monitor the Bank's progress in fulfilling the requirements of this plan.
- The Bank will reduce loans classified as "Substandard" or "Doubtful" in accordance with a schedule required by the Supervisory Authorities. The schedule requires an aggregate reduction by 75% within 720 days of the effectiveness of the Consent Order.
- The Bank will prepare plans and policies to correct all weaknesses in its loan underwriting, loan administration, and loan portfolio management noted by the Supervisory Authorities. These plans and policies are to be implemented within 90 days of the effectiveness of the Consent Order.
- Within 60 days of the effectiveness of the Consent Order, the Bank will develop a plan to systematically reduce the concentration of a significant portion of its extensions of credit in a limited group of borrowers. Additionally, the Bank will prepare a risk segmentation analysis with respect to certain commercial real estate industry concentrations of credit identified by the Supervisory Authorities.
- The Bank will enhance its review of its liquidity by engaging in a monthly analysis. It will also develop a liquidity contingency plan.
- The Bank will forebear from soliciting and accepting "brokered deposits" and will comply with restrictions issued by the FDIC on the effective yields of deposit products offered by, among others, banks subject to consent orders.
- A limit upon growth of 5% per year will be observed by the Bank.
- The Bank will review the sensitivity of its assets and liabilities to changes in market rates on a monthly basis.
- The Bank will not pay dividends or make other forms of payment reducing capital to CB Financial Corporation without the prior approval of the Supervisory Authorities while the Consent Order is in effect.
- The Bank will correct any violations of laws and regulations identified by the Supervisory Authorities.
- The Bank will make quarterly progress reports to the Supervisory Authorities detailing the form and manner of actions taken to comply with the Consent Order.

The plans, policies and procedures which the Bank is required to prepare under the Consent Order are subject to approval by the Supervisory Authorities before implementation.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent events, continued

The Bank, its Board of Directors and its management are dedicated to fulfilling the requirements of the Consent Order at the earliest time possible. It is not practicable at this time, however, to predict when all such requirements will be met and the Consent Order will be released by the Supervisory Authorities. The Bank expects that the provisions of the Consent Order will have a significant impact upon its operations and the results of those operations, including materially reducing the Bank's prospects for profitable operations in the near term. CB Financial Corporation believes, but can provide no assurance, that the Bank will successfully meet all of the requirements imposed by the Supervisory Authorities in the Consent Order.

These financial statements have not been updated for subsequent events occurring after April 29, 2010 which is the date these financial statements were available to be issued.

Rex D. Williams has informed the Company's Board of Directors that, due to heath reasons, he will resign his positions as a director on the Board and Chief Financial Officer of the Bank and Company on or about April 30, 2010. Mr. William's term on the Board expires in 2012. The Board's Nominating and Corporate Governance Committee subsequently nominated Robert H. Ladd III to fill the Board vacancy resulting from Mr. Williams' departure. On April 13, 2012 the Board voted to appoint Mr. Ladd as director for the remainder of Mr. William's term, pending Mr. William's departure and regulatory approval. Mr. Ladd is Chief Credit Officer and Executive Vice President of the Bank. He is a member of the executive management team and served as the Chief Lending Officer of the Bank until he was named Chief Credit Officer in November 2008.

The Bank has retained, on a contractual basis, a replacement for Mr. Williams as Chief Financial Officer of the Bank and the Company. Allen T. Nelson, Jr. will join the Bank May 1, 2010, and will serve as the Bank and the Company's Chief Financial Officer until such time as the Bank retains his services permanently or identifies a replacement. Mr. Nelson earned an MBA degree from William and Mary and currently provides contract CFO services for community banks after spending 30 years in the banking industry in multiple financial support and management capacities. The Bank believes that the vacancy created by Mr. William's departure will not have a significant impact upon its operations and the results of those operations.

NOTE C – RESTRICTIONS ON CASH

The Bank is required to maintain average balances on hand or with the Federal Reserve Bank. At December 31, 2009 and 2008, these reserve balances amounted to $751,000 and $835,000, respectively.

NOTE D - INVESTMENT SECURITIES

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

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
2009				
Securities available for sale:				
Government sponsored enterprises	$ 1,130,765	$ 82,726	$ -	$ 1,213,491
Municipal securities	12,578,200	120,161	(170,402)	12,527,959
Mortgage-backed securities	19,550,495	1,012,005	(3)	20,562,497
	$ 33,259,460	$ 1,214,892	$ (170,405)	$ 34,303,947
2008				
Securities available for sale:				
Government sponsored enterprises	$ 1,335,295	$ 42,270	$ -	$ 1,377,565
Municipal securities	13,248,955	76,359	(298,365)	13,026,949
Mortgage-backed securities	25,085,292	603,614	(18,516)	25,670,390
	$ 39,669,542	$ 722,243	$ (316,881)	$ 40,074,904

The following table shows the gross unrealized losses and fair value of the Company's investment securities with unrealized losses that are deemed to be temporarily impaired aggregated by investment category and length of time that individual securities have been in a continuous, unrealized loss position at December 31, 2009 and 2008. The unrealized losses on the Company's investment securities were caused by various reasons, but the Company feels that no material impairment of value is due to deteriorating financial condition of the issuers. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost of the investment. Because the Company has the ability and intent to hold those investments until a recovery of fair value, which may be maturity, the Company does not consider those 10 investments to be other-than-temporarily impaired at December 31, 2009.

NOTE D - INVESTMENT SECURITIES (Continued)

	December 31, 2009					
	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:						
Municipal securities	$ 898,777	$ 6,940	$5,681,241	$ 163,462	$6,580,018	$ 170,402
Mortgage-backed securities	21,227	3	-	-	21,227	3
Total temporarily impaired available for sale securities	$ 920,004	$ 6,943	$5,681,241	$ 163,462	$6,601,245	$ 170,405

	December 31, 2008					
	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:						
Municipal securities	$2,931,726	$ 100,554	$5,110,703	$ 197,811	$8,042,429	$ 298,365
Mortgage-backed securities	3,210,788	12,028	699,297	6,488	3,910,085	18,516
Total temporarily impaired available for sale securities	$6,142,514	$ 112,582	$5,810,000	$ 204,299	$11,952,514	$ 316,881

Securities with a carrying value of $19.4 million and $18.3 million at December 31, 2009 and 2008, respectively, were pledged to secure borrowings.

For the years ended December 31, 2009 and 2008, proceeds from sales of securities available for sale amounted to $0 and $2,650,697, respectively. From the sales, gross realized gains amounted to $0 and $33,545 and there were no gross realized losses for the years ended December 31, 2009 and 2008, respectively.

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, 2009, 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.

NOTE D - INVESTMENT SECURITIES (Continued)

	Amortized Cost	Fair Value	Weighted Average/ Yield
Securities available for sale			
Government sponsored enterprises			
Due within one year	$ -	$ -	-
Due after one but within five years	1,130,765	1,213,491	5.54%
Due after five but within ten years	-	-	-%
	1,130,765	1,213,491	5.54%
Mortgage-backed securities			
Due after one but within five years	222,221	226,629	3.86%
Due after five but within ten years	1,593,803	1,685,193	5.25%
Due after ten years	17,734,471	18,650,675	5.31%
	19,550,495	20,562,497	5.32%
Municipal securities			
Due within one year	175,997	176,496	4.75%
Due after one but within five years	1,288,040	1,348,745	5.33%
Due after five but within ten years	2,685,406	2,714,309	5.77%
Due after ten years	8,428,757	8,288,409	5.91%
	12,578,200	12,527,959	5.74%
	$ 33,259,460	$ 34,303,947	5.48%

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.

NOTE E - LOANS

Following is a summary of loans at December 31, 2009 and 2008:

	2009		2008	
	Amount	Percent of total	Amount	Percent of total
	(Dollars in thousands)			
Residential - mortgage	$ 7,218	5.37%	$ 5,708	3.91%
Residential - construction	3,536	2.63%	4,126	2.83%
Home equity lines of credit	11,881	8.85%	11,090	7.60%
Commercial and industrial loans	99,187	73.86%	115,567	79.19%
Loans to individuals	12,473	9.29%	9,439	6.47%
Total loans	134,295	100.00%	145,930	100.00%
Less:				
Allowance for loan losses	(2,886)		(2,533)	
Deferred loan fees and costs, net	21		(35)	
Net loans receivable	$ 131,430		$ 143,362	

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 were no restructured loans for 2009 and approximately $1.3 million at December 31, 2008.

NOTE E – LOANS (Continued)

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

	December 31, 2009	December 31, 2008
	(in thousands)	
Impaired loans without a valuation allowance	$ 13,670	$ 10,218
Impaired loans with a valuation allowance	5,335	6,554
Total impaired loans	$ 19,005	$ 16,772
Valuation allowance related to impaired loans	$ 1,326	$ 1,720
Total non-accrual loans	$ 10,758	$ 9,259
Total loans past due ninety days or more and still accruing	$ -	$ 1
Average investment in impaired loans	$ 8,949	$ 10,030
Interest income recognized on impaired loans	$ 669	$ 1,313
Interest income recognized on a cash basis on impaired loans	$ 585	$ 937

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

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

	At or for the Years Ended December 31, 2009	At or for the Years Ended December 31, 2008
	(Dollars in thousands)	
Allowance for loan losses at beginning of year	$ 2,532	$ 2,001
Provision for loan losses	4,913	2,718
	7,445	4,719
Loans charged-off:		
Residential - mortgage	(1,277)	(481)
Home equity lines of credit	(235)	(8)
Multi-family residential	-	-
Commercial and industrial	(2,937)	(1,747)
Loans to individuals	(205)	(103)
Total charge-offs	(4,654)	(2,339)
Recoveries of loans previously charged-off:		
Commercial and industrial	44	123
Residential - mortgage	24	-
Multi-family residential	-	-
Home equity lines of credit	-	-
Loans to individuals	27	29
Total recoveries	95	152
Net charge-offs	(4,559)	(2,187)
Allowance for loan losses at end of year	$ 2,886	$ 2,532
Net charge-offs as a percent of average loans outstanding during the year	3.28%	1.65%
Allowance for loan losses as a percent of loans at period end	2.14%	1.73%

NOTE E – LOANS (Continued)

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,			
	2009		2008	
	Amount	% of Total Loans	Amount	% of Total Loans
	(Dollars in thousands)			
Residential - mortgage	$ 685	23.74%	$ 290	11.45%
Residential - construction	442	15.31%	28	1.10%
Home equity lines of credit	87	3.01%	194	7.67%
Commercial and industrial loans	1,632	56.55%	1,885	74.45%
Loans to individuals	40	1.39%	135	5.33%
Total	$ 2,886	100%	$ 2,532	100%

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 collectability or present other unfavorable features. A summary of related party loan transactions is as follows (in thousands):

	2009	2008
Balance at beginning of year	$ 4,685	$ 3,379
Borrowings	934	1,747
Repayments	(301)	(441)
Balance at end of year	$ 5,318	$ 4,685

NOTE F - PREMISES AND EQUIPMENT

Following is a summary of the Company's premises and equipment at December 31, 2009 and 2008:

	2009	2008
Land	$ 848,037	$ 848,037
Buildings	1,248,465	1,248,465
Leasehold improvements	52,471	52,471
Furniture and equipment	945,124	922,208
	3,094,097	3,071,181
Less accumulated depreciation	(1,074,457)	(953,013)
Total	$ 2,019,640	$ 2,118,168

Depreciation and amortization amounting to $129,939 and $136,784 for the years ended December 31, 2009 and 2008, respectively, is included in occupancy and equipment expense and data processing expense.

NOTE F - PREMISES AND EQUIPMENT, (Continued)

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

2010	$ 89,045
2011	59,802
2012	32,400
	$ 181,247

Rental expense amounting to $91,605 and $90,110 during the years ended December 31, 2009 and 2008, respectively, is included in occupancy and equipment expense on the accompanying consolidated statements of operations.

NOTE G - DEPOSITS

At December 31, 2009, the scheduled maturities of time deposits (dollars in thousands) are as follows:

2010	$ 63,111
2011	24,173
2012	6,252
2013	6,792
2014	4,716
2015	217
Total	$ 105,261

The above table includes time deposits of $100,000 and over, which at December 31, 2009, totaled $50.1 million. Of that total, $7.6 million had scheduled maturities within three months; $9.2 million after three but within six months; $10.9 million after six but within twelve months; and $22.4 million after twelve months. Time deposits of $100,000 and over totaled $38.5 million at December 31, 2008.

NOTE H - BORROWINGS

The Company may purchase federal funds through an unsecured federal funds line of credit totaling $3 million. This line is intended for short-term borrowings and is subject to restrictions limiting the frequency and term of advances. This line of credit is payable on demand and bears interest based upon the daily federal funds rate. The outstanding balance at the end of 2009 was $0 under this line of credit. The year to date average amounts outstanding under this and other previous lines of credit were $312,934 for 2009 and $1,663,762 for 2008.

The Company also has an available line of credit with the Federal Reserve that is secured by municipal securities. The line is approximately 65% of the market value of the securities, or approximately $7.5 million as of December 31, 2009. There were no borrowings from the Federal Reserve during either 2009 or 2008.

The Company has an available line of credit with the FHLB equal to 20% 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, 2009 was approximately $6.7 million and $19.4 million of securities were pledged.

NOTE H – BORROWINGS, (Continued)

Advances from the FHLB of Atlanta consisted of the following at December 31, 2009 and 2008:

Maturity	Interest Rate	2009	2008
September 8, 2015	3.93%	$ 5,000,000	$ 5,000,000
July 16, 2012	3.90%	1,250,000	1,250,000
January 20, 2009	3.31%	-	3,000,000
March 2, 2009	2.57%	-	1,500,000
August 28, 2009	2.60%	-	1,500,000
February 26, 2010	2.74%	1,500,000	1,500,000
March 8, 2010	2.56%	1,250,000	1,250,000
May 7, 2010	3.21%	2,500,000	2,500,000
March 7, 2011	2.90%	1,250,000	1,250,000
May 12, 2011	3.36%	2,500,000	2,500,000
March 7, 2012	3.24%	1,250,000	1,250,000
March 7, 2013	3.53%	1,250,000	1,250,000
		$ 17,750,000	$ 23,750,000

Advances maturing in 2010 have been disclosed as short term borrowings on the consolidated balance sheet.

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. 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 2009 and 2008 are as follows:

	2009	2008
Current tax provision:		
Federal	$ (1,076,871)	$ (672,000)
State	-	(121,000)
	(1,076,871)	(793,000)
Deferred tax provision:		
Federal	(758,859)	(173,000)
State	(101,553)	(35,000)
Valuation allowance	1,225,763	-
	365,351	(208,000)
Provision for income taxes	$ (711,520)	$ (1,001,000)

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:

	2009	2008
Tax expense computed at the statutory federal rate	$ (1,718,076)	$ (618,000)
Increase (decrease) resulting from:		
State income taxes, net of federal tax effect	-	(104,000)
Nontaxable income	(240,956)	(239,000)
Other, net	21,749	(40,000)
Valuation allowance	1,225,763	-
Provision for income taxes	$ (711,520)	$ (1,001,000)

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, 2009 and 2008 are as follows:

	2009	2008
Deferred tax assets relating to:		
Allowance for loan losses	$ 578,486	$ 635,000
Pre-opening costs and expenses	1,397	2,000
Interest income on non-accrual loans	152,946	-
Retirement and stock compensation	253,992	132,000
Investment and OREO impairment	112,170	78,000
Operating loss carryforwards	642,982	-
Other	8,377	20,000
Total deferred tax assets	1,750,350	867,000
Valuation allowance	1,225,763	-
Total net deferred tax assets	524,587	867,000
Deferred tax liabilities relating to:		
Premises and equipment differences	(77,846)	(72,000)
Prepaid expenses	(20,389)	(15,000)
Investment securities available for sale	(402,649)	(156,000)
Other	(23,703)	(12,000)
Total deferred tax liabilities	(524,587)	(255,000)
Net deferred tax asset	$ -	$ 612,000

NOTE I - INCOME TAXES (Continued)

Deferred tax assets represent the future tax benefit of deductible differences and, if it is more likely than not that a tax asset will not be realized, a valuation allowance is required to reduce the recorded deferred tax assets to net realizable value. Management has determined that it is more likely than not that the deferred tax asset at December 31, 2009 will not be realized, and accordingly, has established a valuation allowance. No valuation allowance was deemed necessary at December 31, 2008.

NOTE J - OTHER NON-INTEREST EXPENSE

The major components of other non-interest expense for the years ended December 31, 2009 and 2008 are as follows:

	2009	2008
Postage, printing and office supplies	$ 58,558	$ 85,835
Advertising and promotion	107,454	125,774
Professional services	527,972	488,167
FDIC insurance premiums	498,534	132,157
Other	543,229	546,241
Total	$ 1,735,747	$ 1,378,174

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.

As of December 31, 2009, the most recent notification from the FDIC categorized the Bank as adequately capitalized, but less than well capitalized, under the regulatory framework for prompt corrective action. To be categorized as adequately 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, 2009				
Tier 1 capital (to risk-weighted assets)	$ 12,135	8.07%	4.00%	6.00%
Total capital - (to risk-weighted assets)	14,026	9.33%	8.00%	10.00%
Leverage - Tier 1 capital (to average assets)	12,135	6.14%	4.00%	5.00%
As of December 31, 2008				
Tier 1 capital (to risk-weighted assets)	$ 16,453	10.17%	4.0%	6.0%
Total capital - (to risk-weighted assets)	18,482	11.42%	8.0%	10.0%
Leverage - Tier 1 capital (to average assets)	16,453	8.09%	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. The terms of the Consent Order also provide that the Bank will not pay dividends or make other forms of payment reducing capital to CB Financial Corporation without the prior approval of the Supervisory authorities while the Consent Order is in effect. The Bank is also required to maintain Tier 1 Capital of at least 8% to total assets and a Total Risk Based Capital ratio of at least 12% during the effectiveness of the consent order discussed in ***Subsequent Events***.

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.

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, 2009 and 2008 is as follows:

	2009	2008
Financial instruments whose contract amounts represent credit risk:		
Commitments to extend credit	$ 585,000	$ 2,000,000
Undisbursed lines of credit	18,082,724	23,216,156
Commercial and standby letters of credit	127,000	363,248

NOTE M - DISCLOSURES ABOUT FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments include cash and due from banks, interest-earning 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 instrument 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.

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

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.

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, 2009 and 2008:

	2009		2008	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
	(In thousands)			
Financial assets				
Cash and due from banks	$ 3,303	$ 3,303	$ 3,103	$ 3,103
Interest-earning deposits in banks	8,748	8,748	4,518	4,518
Time deposits	380	380	607	607
Investment securities available for sale	34,304	34,304	40,075	40,075
Accrued interest receivable	765	765	883	883
Federal Home Loan Bank stock	1,268	1,268	1,481	1,481
Investment in bank-owned life insurance	4,919	4,919	4,722	4,722
Loans	134,316	136,423	145,895	155,408
Financial liabilities				
Deposits	161,328	157,853	161,851	164,727
Borrowings & federal funds purchased	22,905	23,512	30,399	32,125
Accrued interest payable	111	111	232	232

The Company groups assets and liabilities at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following sections provide a description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy:

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

Securities

Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities would include highly liquid government bonds, mortgage products and exchange traded equities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flow. Level 2 securities would include U.S. agency securities, mortgage-backed agency securities, obligations of states and political subdivisions and certain corporate, asset backed and other securities. In certain cases where there is limited activity or less transparency around inputs to the valuation, securities are classified within Level 3 of the valuation hierarchy. Currently, all of the Bank's securities are considered to be Level 2 securities.

Impaired Loans

Impairment of a loan is based on a loan's observable market price or the fair value of the collateral of a collateral-dependent loan. Fair value of the loan's collateral, when the loan is dependent on collateral, is determined by appraisals or independent valuation which is then adjusted for the cost related to liquidation of the collateral. When the fair value of the collateral is based on an observable market price or a current appraised value, the Company records the impaired loan as nonrecurring Level 2. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the Bank records the foreclosed asset as nonrecurring Level 3.

Real Estate Owned

Foreclosed assets are adjusted to fair value upon transfer of the loans to other real estate owned. Real estate acquired in settlement of loans is recorded initially at estimated fair value of the property less estimated selling costs at the date of foreclosure. The initial recorded value may be subsequently reduced by additional allowances, which are charged to earnings if the estimated fair value of the property less estimated selling costs declines below the initial recorded value. Fair value is based upon independent market prices, appraised values of the collateral or management's estimation of the value of the collateral. When the fair value of the collateral is based on an observable market price or a current appraised value, the Company records the foreclosed asset as nonrecurring Level 2. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the Company records the foreclosed asset as nonrecurring Level 3.

Recurring fair value

The table below presents the recorded amount of assets and liabilities measured at fair value on a recurring basis (dollars in thousands):

December 31, 2009	**Total**	**Level 1**	**Level 2**	**Level 3**
Investment securities available for sale	$ 34,304	$ -	$ 34,304	$ -
Total assets at fair value	$ 34,304	$ -	$ 34,304	$ -
Total liabilities valued at fair value	$ -	$ -	$ -	$ -

December 31, 2008	**Total**	**Level 1**	**Level 2**	**Level 3**
Investment securities available for sale	$ 40,075	$ -	$ 40,075	$ -
Total assets at fair value	$ 40,075	$ -	$ 40,075	$ -
Total liabilities valued at fair value	$ -	$ -	$ -	$ -

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

Nonrecurring fair value

The table below presents the recorded amount of assets and liabilities measured at fair value on a nonrecurring basis (dollars in thousands):

December 31, 2009	Total	Level 1	Level 2	Level 3
Impaired loans	$ 19,005	$ -	$ 19,005	$ -
Real estate owned	3,377	-	3,377	-
Total assets at fair value	$ 22,382	$ -	$ 22,382	$ -
Total liabilities valued at fair value	$ -	$ -	$ -	$ -

December 31, 2008	Total	Level 1	Level 2	Level 3
Impaired loans	$ 4,834	$ -	$ 4,834	$ -
Total assets at fair value	$ 4,834	$ -	$ 4,834	$ -
Total liabilities valued at fair value	$ -	$ -	$ -	$ -

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. Until August 2009, the Company made matching contributions equal to 100 percent of the first 6 percent of an employee’s compensation contributed to the Plan. The match was suspended indefinitely at that time. Matching contributions vest to the employee equally over a four-year period. For the years ended December 31, 2009 and 2008, expense attributable to the Plan amounted to $65,619 and $102,805, 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 84,298 shares (adjusted for all stock dividends) of the Company’s common stock for an aggregate number of common shares reserved for options equal to 168,596. Option exercise prices are set by the Board of Directors at the date of grant, but shall not be less than 100% of fair market value of the related stock at the date of the grant. Options vest over five years. All unexercised options expire ten years after the date of grant.

Compensation cost relating to share-based payment transactions are recognized in the financial statements with measurement based upon the fair value of the equity or liability instruments issued. For the years ended December 31, 2009 and 2008, the Bank recognized $10,740 and $10,744 respectively, in compensation expense for stock options.

At December 31, 2009, unrecognized compensation costs amounted to $7,167 which will be expensed over the next .67 years.

The weighted average fair value of each stock option grant is estimated on the date of grant using the Black-Scholes option-pricing model. The expected volatility is based on historical volatility. The risk-free interest rates for periods within the contractual life of the awards are based on the U.S. Treasury yield curve in effect at the time of the grant. The expected life is based on historical exercise experience. The dividend yield assumption is based on the Bank’s history and expectation of dividend payouts. No options were granted in 2009 or 2008.

NOTE N - EMPLOYEE AND DIRECTOR BENEFIT PLANS

Stock Option Plans, continued

A summary of the Company's option plans as of and for the years ended December 31, 2009 and 2008 is as follows:

			Outstanding Options		Exercisable Options		
	Shares in Plans	Shares Available for Future Grants	Number Outstanding	Weighted Average Exercise Price	Number Outstanding	Weighted Average Exercise Price	Aggregate Intrinsic Value
At December 31, 2007	160,568	32,086	128,482	$ 10.47	121,537	$ 9.93	$ 1,358,383
Stock dividend	8,028	1,616	6,412	N/A	6,065	N/A	
Options granted/vested	-	-	-	-	2,431	19.05	-
Options exercised	-	-	-	-		-	-
Options forfeited	-	-	-	-	-	-	-
At December 31, 2008	168,596	33,702	134,894	$ 9.98	130,033	$ 9.64	$ 1,351,638
Options granted/vested	-	-	-	-	2,430	19.05	-
Options exercised	-	-	-	-		-	-
Options forfeited	-	-	-	-	-	-	-
At December 31, 2009	168,596	33,702	134,894	$ 9.98	132,463	$ 9.81	$ -

The weighted average remaining life of all options outstanding as of December 31, 2009 is 3.89 years. The remaining contractual life of exercisable options is 3.74 years.

There is no active trading market for the Company's stock. However, given stock values of other community banks relative to book value and earnings, it is estimated that the Company's stock value, if an active trading market did exist, would be below the exercise price of all outstanding options. As a result, the aggregate intrinsic value of all options outstanding and exercisable was zero as of December 31, 2009.

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.

NOTE N - EMPLOYEE AND DIRECTOR BENEFIT PLANS

Stock Option Plans, continued

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.

As of December 31, 2009, 46,305 shares (adjusted for all stock dividends) of our common stock had been reserved for issuance under the Purchase Plan and 17,503 shares have been purchased under the plan, of which no shares were purchased during 2009 and 540 were purchased during 2008.

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, 2009 and 2008 presented in thousands.

Condensed Balance Sheets
December 31, 2009 and 2008

	2009	2008
Assets:		
Cash on deposit in subsidiary	$ 9	$ 9
Investment in subsidiary bank	12,777	16,701
Other assets	168	185
Total assets	$ 12,954	$ 16,895
Liabilities:		
Junior subordinated debentures	$ 5,155	$ 5,155
Other liabilities	5	8
Total liabilities	5,160	5,163
Stockholders' equity:		
Common stock	8,554	8,543
Preferred stock A & B	2,458	2,458
Retained earnings (deficit)	(3,859)	483
Accumulated other comprehensive income	641	248
Total stockholders' equity	7,794	11,732
Total liabilities and stockholders' equity	$ 12,954	$ 16,895

Condensed Statements of Operations
Years Ended December 31, 2009 and 2008

	2009	2008
Equity in undistributed net income of bank subsidiary	$ (4,318)	$ (1,453)
Dividends from bank subsidiary	151	910
Interest income	5	8
Interest expense	(148)	(265)
Other expense	(92)	(210)
Income tax benefit	60	191
Net income (loss)	$ (4,342)	$ (819)

NOTE O - PARENT COMPANY FINANCIAL DATA (Continued)

Condensed Statements of Cash Flows
Years Ended December 31, 2009 and 2008

	2009	2008
Operating activities:		
Net income (loss)	$ (4,342)	$ (819)
Undistributed net loss (income) of bank subsidiary	4,317	1,453
Compensation expense	10	42
Increase in other assets	18	(16)
Increase (decrease) in other liabilities	(3)	(6)
	-	654
Financing activities:		
Reorganization	-	(741)
Issuance of common stock	-	8
	-	(733)
Net decrease in cash		(79)
Cash, beginning of period	9	88
Cash, end of period	$ 9	$ 9

DIRECTORS

John C. Anthony
Partner: Anthony 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

Robert H. Ladd III
Executive Vice President, Chief Credit Officer

Robert W. Kernodle
Executive Vice President, Chief Information Officer

Dora E. Kicklighter
Vice President, Chief Operations Officer

Rex D. Williams
Chief Financial Officer

Office Locations

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1435 Ward Boulevard
Wilson, NC 27893

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

Annual Stockholders Meeting

The 2009 Annual Meeting of stockholders of CB Financial Corporation will be held at 10:00 a.m. on May 27, 2010 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.