CB FINANCIAL CORPORATION AND SUBSIDIARY

2010 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 Shareholder Services
Mail Code: FCC61
P.O. Box 29522
Raleigh, NC 27626-0522
1-866-215-2480

CB Financial Corporation

Dear Shareholders,

Before we delve too deeply into our body of work for 2010 — a year that whipped us soundly as the economy continued to flounder — we want you first to think back a couple of years, to 2008.

As a shareholder, employee, customer, or simply a friend of our Bank, you understood and enjoyed the reasons we were all involved with Cornerstone. We were sound and highly profitable, and employees and shareholders were rewarded for their investment of time and money. Our capital position was well above normal thresholds, and Cornerstone was the model of a locally owned community bank. We took care of shareholders, took care of customers and took care of employees.

We want you to know that our goals and culture have not changed. We still envision a strong and preferred community bank that still rewards shareholders, employees and customers.

We also think this is important to mention: our Board and senior management did not suddenly forget how to run a strong bank. We did not wake up one morning and lose some magic touch. We did not get greedy or fall asleep at the wheel or become unaware of the changes that would affect banking nationwide. We have a management team that is well regarded for foresight and anticipation, but few could have predicted the events of the past few years. In fact, few can predict even a few weeks into the future. For example, the stock market has been showing strong returns for many months, but who could have predicted an earthquake and tsunami that sent the stock market reeling worldwide in the short term? Who can predict disasters, whether natural or man-made? Who knew tornadoes would rip through Wilson destroying homes and businesses? Hence, few could have predicted an epidemic on Wall Street that would spread to Main Street like a virus.

We are currently cleaning up from the economic malaise affecting us all. We are proud of several “good moves”: (1) we NEVER participated in risky subprime mortgages or uncertain correspondent bank loans; (2) we NEVER accepted any government assistance or TARP funding; and (3) we NEVER turned our back on customers who were in distress.

We sleep well knowing that we have and continue to go the extra mile in helping our customers. This culture has played no small part in our losses in the past two years. We had too many “problem” loans, causing us to move profits into loan loss reserves. But those problem loans are our friends and neighbors. Some of our customers will get well over time and some won’t, but we are methodically working through those concerns. We share that sense of loss. We know every problem loan; we know every customer involved. These are not people from out of town, out of state or out of the country; these are people who live here, are family and friends of us, and are our own customers. Because of that, the losses cut deeper and hurt even more.

So where are we now, here in early 2011? Where are we as we look not at 2008, but at 2010?

We experienced a large loss for 2010. Our financial reports are attached. From last year and continuing into this year, we are operating under a “consent order” with the FDIC to reduce problem assets and increase capital. There are more than 50 banks in North Carolina operating under some type of regulatory agreement, nearly one-half of all banks in this state. You should know we have complied with all points of the consent order, other than increasing the capital.

Since December of last year we have had a capital restoration plan underway and are making very good progress. Our goal is to raise new equity that will bring the Bank back to a “Well Capitalized” status, the highest regulatory measure for capital. We are accomplishing this by reaching out to customers, local investors, current shareholders, and friends of our Bank through a Private Placement Offering. We have chosen to not seek private equity capital or Wall Street investors.

When we recover our “well capitalized” status, we’ll become one of the strongest community banks in this state. The higher capital levels will enhance our ability to return to sustained profitability.

For the last two years we have been operating as if two banks existed within one. First, we present the Cornerstone Bank that customers see daily. This is the Bank with good assets, competitively priced products and services, and that is performing well. Other than rebutting erroneous rumors, this part of our Bank has a business-as-usual attitude. Behind the scenes we have been operating an asset resolution and recovery bank that works through problem assets. We continue to methodically and diligently seek to address our troubled loans. We are making excellent progress. In the last two years our “classified” assets have decreased over 63%. Since the middle of 2010, we have seen a steady decrease in problem loans, past dues, non-accruals and the sale of Other Real Estate Assets.

Our staff has performed so admirably during this stressful time. Our people have communicated frequently and honestly about our status. Our customers and friends see our resolve to be a long-term asset in this community. We will complete the capital restoration plan, serve our customers, and be the backbone of the community.

During this time our work within the community has not stopped. We continue our support of The Brittany Soccer Showcase, the Theater of the American South, the Chamber, the Arts Council, the schools, the United Way and other causes that are integral and important to our community and the quality of life. We not only supply funding, but our employees volunteer their time and talent to many community endeavors.

We are providing more than a banking service to this community. We are focused upon also providing value to our community. With loans, salaries, sponsorships and other money provided here, we’ve cycled worth more than $500 million to Wilson in the past 10 years. Using a standard 2.5 times economic multiplier, your Bank has provided $1.5 *billion* in value to the Wilson community. Those are two other reasons to fight for what we have constantly promised: a locally owned and locally managed Bank, with our market being Wilson.

Wilson has had its share of disasters, and we have shared in that. We started during Hurricane Floyd and we are surviving the worst economic disaster since the Great Depression. The good news is we see a turnaround in this landscape, a turnaround in this economy. Years from now, history will review these years as ones that show us as a survivor.

We do not fully know the final results of our capital campaign, but we are confident — confident in our Board, our management, our staff, our investors, our customers, and those who appreciate what we've been through and the value of a local community bank. While we questioned the ability of anyone to make predictions above, we envision that later this year you'll see us as a strengthened bank, with shrinking problem assets and the "good bank" getting better. And, we will reward our employees, shareholders and customers who have participated in and shared the life of a very difficult economic turnaround.

We are confident that the worst is behind us, and brighter days are ahead for the Bank and all of us. The difficulties of 2010 are closed. If all goes as planned, 2011 becomes a year of recovery and 2012 becomes a year to make us forget 2010…and maybe even 2008 as well!

Sincerely,

Norman Osborn
President, CEO

John Anthony
Chairman of the Board

Independent Auditors' 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, 2010 and 2009, and the related consolidated statements of operations, comprehensive income (loss), changes in stockholders' equity (deficit) 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, 2010 and 2009 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.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note P to the financial statements, the Company has suffered recurring losses from operations which have lead to a negative stockholders' equity; is inadequately capitalized; has failed to reach capital levels required in the Consent Order issued by the Federal Deposit Insurance Corporation; and continues to have high levels of non-performing and impaired assets. These items raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note P. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Elliott Davis, PLLC

Galax, Virginia
May 27, 2011

CB FINANCIAL CORPORATION AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

December 31, 2010 and 2009

	2010	2009
ASSETS		
Cash and due from banks	$ 3,579,241	$ 3,303,226
Interest-earning deposits in banks	6,100,543	8,748,210
Federal funds sold	11,585,000	-
Total cash and cash equivalents	21,264,784	12,051,436
Time deposits	3,050,416	379,663
Investment securities available for sale, at fair value (Note D)	29,695,849	34,303,947
Loans (Note E)	104,499,161	134,316,091
Allowance for loan losses	(4,393,097)	(2,886,498)
NET LOANS	100,106,064	131,429,593
Accrued interest receivable	548,990	764,729
Stock in Federal Home Loan Bank of Atlanta, at cost	1,133,100	1,268,400
Premises and equipment, net of depreciation (Note F)	1,912,059	2,019,640
Bank-owned life insurance	3,385,271	4,918,850
Real estate owned	4,704,607	3,376,692
Other assets	1,182,875	2,482,022
TOTAL ASSETS	$ 166,984,015	$ 192,994,972
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Deposits:		
Demand	$ 11,523,506	$ 14,002,271
Savings	1,912,862	1,675,647
Money market and NOW	32,933,958	40,389,133
Time (Note G)	99,729,988	105,261,241
TOTAL DEPOSITS	146,100,314	161,328,292
Short term borrowings (Note H)	1,250,000	5,250,000
Long term borrowings (Note H)	14,000,000	12,500,000
Junior subordinated Note (Note H)	5,155,000	5,155,000
Accrued interest payable	99,638	110,531
Accrued expenses and other liabilities	880,708	856,486
TOTAL LIABILITIES	167,485,660	185,200,309
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	8,556,168	8,553,484
Retained earnings (deficit)	(11,773,751)	(3,859,006)
Accumulated other comprehensive income	257,504	641,751
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	(501,645)	7,794,663
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 166,984,015	$ 192,994,972

See accompanying notes

CB FINANCIAL CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS

Years Ended December 31, 2010 and 2009

	2010	2009
INTEREST INCOME		
Loans	$ 6,175,171	$ 7,763,660
Investment securities—taxable	973,301	1,251,411
Investment securities—tax exempt	361,398	529,851
Federal funds sold	14,530	2,662
Interest-earning deposits in banks	55,535	36,253
Other interest and dividends	15,668	27,839
TOTAL INTEREST INCOME	7,595,603	9,611,676
INTEREST EXPENSE		
Money market, NOW and savings deposits	164,939	368,427
Time deposits	2,444,424	3,257,758
Short term borrowings	7,750	2,499
Long term borrowings	610,503	787,509
TOTAL INTEREST EXPENSE	3,227,616	4,416,193
NET INTEREST INCOME	4,367,987	5,195,483
PROVISION FOR LOAN LOSSES (Note E)	7,504,065	4,912,757
NET INTEREST INCOME (LOSS) AFTER PROVISION FOR LOAN LOSSES	(3,136,078)	282,726
NON-INTEREST INCOME		
Service charges on deposit accounts	312,704	419,105
Mortgage operations	95,659	165,911
Gain on sale of investment securities	319,349	-
Income from bank owned life insurance	145,551	196,546
Impairment of cost method investments	-	(86,467)
Other income	436,003	459,133
TOTAL NON-INTEREST INCOME	1,309,266	1,154,228
NON-INTEREST EXPENSE		
Salaries and employee benefits	2,509,647	3,137,724
Occupancy and equipment	339,514	347,721
Data processing expenses	664,879	740,170
Expense on other real estate owned, net	594,426	528,757
Other (Note J)	1,735,858	1,735,747
TOTAL NON-INTEREST EXPENSE	5,844,324	6,490,119
LOSS BEFORE INCOME TAXES	(7,671,136)	(5,053,165)
INCOME TAXES (Note I)	243,609	(711,520)
NET LOSS	(7,914,745)	(4,341,645)
PREFERRED STOCK DIVIDENDS	-	-
LOSS APPLICABLE TO COMMON STOCKHOLDERS	$ (7,914,745)	$ (4,341,645)
NET LOSS PER COMMON SHARE		
Basic	$ (9.38)	$ (5.15)
Diluted	(9.38)	(5.15)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING		
Basic	843,715	843,715
Diluted	843,715	843,715

See accompanying notes

CB FINANCIAL CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
Years Ended December 31, 2010 and 2009

	2010	2009
NET LOSS	$ (7,914,745)	$ (4,341,645)
OTHER COMPREHENSIVE INCOME (LOSS):		
Securities available for sale:		
Unrealized holding gains (losses) on available for sale securities	(944,717)	639,125
Realized gains on available for sale securities	319,349	-
Net tax effect	241,121	(246,415)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	(384,247)	392,710
COMPREHENSIVE LOSS	$ (8,298,992)	$ (3,948,935)

See accompanying notes

CB FINANCIAL CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
Years Ended December 31, 2010 and 2009

	Common Stock	Preferred Stock A	Preferred Stock B	Retained Earnings	Accumulated Other Comprehensive Income	Total
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
Comprehensive loss						
Net loss	-	-	-	(7,914,745)	-	(7,914,745)
Other comprehensive loss	-	-	-	-	(384,247)	(384,247)
Stock based compensation expense	2,684	-	-	-	-	2,684
Balance, December 31, 2010	$ 8,556,168	$ 1,928,429	$ 530,005	$ (11,773,751)	$ 257,504	$ (501,645)

	Shares Outstanding		
	Common	Preferred A	Preferred B
Balance, December 31, 2008	843,715	191,310	52,992
No activity	-	-	-
Balance, December 31, 2009	843,715	191,310	52,992
No activity	-	-	-
Balance, December 31, 2010	843,715	191,310	52,992

See accompanying notes

CB FINANCIAL CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2010 and 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (7,914,745)	$ (4,341,645)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and accretion, net	78,399	84,105
Non-cash stock compensation expense	2,684	10,740
Impairment of cost method investments	-	86,467
Realized gain on available for sale securities	(319,349)	-
Loss on disposal of bank equipment	2,288	-
Loss on sale of real estate owned	35,193	169,690
Write down of real estate owned	331,181	342,611
Provision for loan losses	7,504,065	4,912,757
Earnings on bank-owned life insurance	(145,551)	(196,546)
Deferred income tax benefit	243,609	365,351
Carry-back taxes received	1,330,816	-
Change in assets and liabilities:		
Decrease in accrued interest receivable	215,739	118,556
Increase in other assets	(91,902)	(376,863)
Increase (decrease) in accrued interest payable	(10,893)	(121,855)
Increase in accrued expenses and other liabilities	24,222	366,233
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,285,756	1,419,601
CASH FLOWS FROM INVESTING ACTIVITIES		
Net maturities of time deposits	(2,670,753)	226,837
Purchase of available for sale investments	(14,902,001)	(743,322)
Sales of available for sale investments	10,273,261	-
Proceeds from sale of real estate owned	1,498,890	1,210,094
Net renovations to real estate owned	-	(38,804)
Proceeds from maturities and calls of available for sale investment	9,018,313	7,199,239
Net decrease in loans	20,626,285	2,993,024
Net purchase of Federal Home Loan Bank stock	135,300	212,500
Redemption of bank owned life insurance	1,679,130	-
Purchases of bank premises and equipment	(2,855)	(31,411)
NET CASH PROVIDED BY INVESTING ACTIVITIES	25,655,570	11,028,157
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in deposits	(15,227,978)	(522,855)
Decrease in FHLB advances	(2,500,000)	(6,000,000)
Net change in federal funds purchased	-	(1,494,000)
NET CASH USED BY FINANCING ACTIVITIES	(17,727,978)	(8,016,855)
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,213,348	4,430,903
CASH AND CASH EQUIVALENTS, BEGINNING	12,051,436	7,620,533
CASH AND CASH EQUIVALENTS, ENDING	$ 21,264,784	$ 12,051,436
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	$ 3,238,509	$ 4,538,048
Income taxes paid (refunded)	(1,330,816)	-
Change in unrealized gain on investment securities available for sale, net	(384,247)	392,710
Transfer from loans to real estate owned	3,193,179	4,027,224

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 real estate owned and 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."

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.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Loan Losses, continued

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.

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 management 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, 2010.

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. There was no such write down necessary in 2010. 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.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. As of December 31, 2010 and 2009, the Bank had recorded valuation allowances against all of its net deferred tax assets.

It is the Bank’s policy to evaluate uncertain tax positions. As of December 31, 2010 and 2009, the Company had no uncertain tax positions requiring disclosure or recognition.

Comprehensive Income (Loss)

The Company reports as comprehensive income (loss) 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.

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.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Per Share Results, continued

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

	2010	2009
Weighted average outstanding shares used for basic EPS	843,715	843,715
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	843,715

For the years ended December 31, 2010 and December 31, 2009, 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.

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 January 2010, fair value guidance was amended to require disclosures for significant amounts transferred in and out of Levels 1 and 2 and the reasons for such transfers and to require that gross amounts of purchases, sales, issuances and settlements be provided in the Level 3 reconciliation. Disaggregation of classes of assets and liabilities is also required. The new disclosures are effective for the Bank for the current year and have been reflected in the Fair Value footnote.

In July 2010, the Receivables topic of the Accounting Standards Codification ("ASC") was amended to require expanded disclosures related to a company's allowance for credit losses and the credit quality of its financing receivables. The amendments will require the allowance disclosures to be provided on a disaggregated basis. The Bank is required to begin to comply with the disclosures in its financial statements for the year ended December 31, 2011.

On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), which significantly changes the regulation of financial institutions and the financial services industry. The Dodd-Frank Act includes several provisions that will affect how community banks, thrifts, and small bank and thrift holding companies will be regulated in the future. Among other things, these provisions abolish the Office of Thrift Supervision and transfer its functions to the other federal banking agencies, relax rules regarding interstate branching, allow financial institutions to pay interest on business checking accounts, change the scope of federal deposit insurance coverage, and impose new capital requirements on bank and thrift holding companies. The Dodd-Frank Act also establishes the Bureau of Consumer Financial Protection as an independent entity within the Federal Reserve, which will be given the authority to promulgate consumer protection regulations applicable to all entities offering consumer financial services or products, including banks. Additionally, the Dodd-Frank Act includes a series of provisions covering mortgage loan origination standards affecting originator compensation, minimum repayment standards, and pre-payments. Management is actively reviewing the provisions of the Dodd-Frank Act and assessing its probable impact on our business, financial condition, and results of operations.

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.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

Certain amounts in the 2009 financial statements have been reclassified to conform to the 2010 presentation. The reclassifications had no effect on net loss or stockholders' equity as previously reported.

Subsequent Events

These financial statements have not been updated for subsequent events occurring after May 27, 2011 which is the date these financial statements were available to be issued.

NOTE C – RESTRICTIONS ON CASH

The Bank is required to maintain average balances on hand or with the Federal Reserve Bank. At December 31, 2010 and 2009, these reserve balances amounted to $651,000 and $751,000, 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
2010				
Securities available for sale				
Government sponsored enterprises	$ 2,376,589	$ 75,615	$ (37,584)	$ 2,414,620
Municipal securities	4,981,458	7,098	(124,772)	4,863,784
Mortgage-backed securities	21,860,938	757,697	(212,753)	22,405,882
Other equity securities	57,745	-	(46,182)	11,563
	$ 29,276,730	$ 840,410	$ (421,291)	$ 29,695,849
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

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, 2010 and 2009. 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 investments to be other-than-temporarily impaired at December 31, 2010.

NOTE D - INVESTMENT SECURITIES (Continued)

	December 31, 2010					
	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	$ 2,606,942	$ 55,753	$ 1,022,739	$ 69,019	$ 3,629,681	$ 124,772
Government sponsored enterprises	974,780	37,584	-	-	974,780	37,584
Other equity securities	11,563	46,182	-	-	11,563	46,182
Mortgage-backed securities	9,273,357	212,753	-	-	9,273,357	212,753
Total temporarily impaired available for sale securities	$12,866,642	$ 352,272	$ 1,022,739	$ 69,019	$13,889,381	$ 421,291

	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

Securities with a carrying value of $23.8 million and $19.4 million at December 31, 2010 and 2009, respectively, were pledged to secure borrowings.

For the years ended December 31, 2010 and 2009, proceeds from sales of securities available for sale amounted to $10,273,261 and $0, respectively. From the sales, gross realized gains amounted to $339,099 and $0 and gross realized losses amounted to $19,750 and $0 for the years ended December 31, 2010 and 2009, 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, 2010, 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
Securities available for sale		
Government sponsored enterprises		
Due within one year	$ 39,644	$ 38,172
Due after one but within five years	1,523,292	1,593,001
Due after five but within ten years	230,192	221,646
Due after ten years	583,461	561,801
	2,376,589	2,414,620
Mortgage-backed securities		
Due within one year	4,708,819	4,934,450
Due after one but within five years	9,991,796	10,286,999
Due after five but within ten years	4,520,244	4,520,694
Due after ten years	2,640,079	2,663,739
	21,860,938	22,405,882
Municipal securities		
Due within one year	290,234	290,600
Due after one but within five years	2,089,105	2,049,121
Due after five but within ten years	978,310	940,495
Due after ten years	1,623,809	1,583,568
	4,981,458	4,863,784
Other equity security		
No stated maturity	57,745	11,563
	$ 29,276,730	$ 29,695,849

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, 2010 and 2009:

	2010		2009	
	Amount	Percent of Total	Amount	Percent of Total
	(Dollars in thousands)			
Residential - mortgage	$ 8,328	7.97%	$ 7,218	5.37%
Residential - construction	4,245	4.06%	3,536	2.63%
Home equity lines of credit	10,639	10.18%	11,881	8.85%
Commercial and industrial loans	72,574	69.49%	99,187	73.86%
Loans to individuals	8,674	8.30%	12,473	9.29%
Total loans	104,460	100.00%	134,295	100.00%
Less:				
Allowance for loan losses	(4,393)		(2,886)	
Deferred loan fees and costs, net	39		21	
Net loans receivable	$ 100,106		$ 131,430	

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.

NOTE E – LOANS (Continued)

There were $12.8 million in restructured loans as of December 31, 2010. There were no restructured loans as of December 31, 2009.

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

	December 31, 2010	December 31, 2009
	(in thousands)	
Impaired loans without a valuation allowance	$ 9,969	$ 13,670
Impaired loans with a valuation allowance	10,126	5,335
Total impaired loans	$ 20,095	$ 19,005
Valuation allowance related to impaired loans	$ 3,074	$ 1,326
Total non-accrual loans	$ 12,498	$ 10,758
Total loans past due ninety days or more and still accruing	$ -	$ -
Average investment in impaired loans	$ 27,235	$ 8,949
Interest income recognized on impaired loans	$ 1,584	$ 669
Interest income recognized on a cash basis on impaired loans	$ 1,487	$ 585

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, 2010	At or for the Years Ended December 31, 2009
	(Dollars in thousands)	
Allowance for loan losses at beginning of year	$ 2,886	$ 2,532
Provision for loan losses	7,504	4,913
	10,390	7,445
Loans charged-off		
Residential - mortgage	(1,174)	(1,277)
Home equity lines of credit	(108)	(235)
Multi-family residential	-	-
Commercial and industrial	(5,222)	(2,937)
Loans to individuals	(122)	(205)
Total charge-offs	(6,626)	(4,654)
Recoveries of loans previously charged-off		
Commercial and industrial	548	44
Residential - mortgage	25	24
Multi-family residential	-	-
Home equity lines of credit	27	-
Loans to individuals	29	27
Total recoveries	629	95
Net charge-offs	(5,997)	(4,559)
Allowance for loan losses at end of year	$ 4,393	$ 2,886
Net charge-offs as a percent of average loans outstanding during the year	5.04%	3.28%
Allowance for loan losses as a percent of loans at period end	4.20%	2.14%

NOTE E – LOANS (Continued)

Following is a summary of the 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:

	2010	2009
	(Dollars in thousands)	
Residential - mortgage	$ 399	$ 685
Residential - construction	530	442
Home equity lines of credit	250	87
Commercial and industrial loans	3,165	1,632
Loans to individuals	49	40
Total	$ 4,393	$ 2,886

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):

	2010	2009
Balance at beginning of year	$ 5,318	$ 4,685
Borrowings	458	934
Repayments	(1,464)	(301)
Balance at end of year	$ 4,312	$ 5,318

NOTE F - PREMISES AND EQUIPMENT

Following is a summary of the Company's premises and equipment at December 31, 2010 and 2009:

	2010	2009
Land	$ 848,037	$ 848,037
Buildings	1,248,465	1,248,465
Leasehold improvements	52,471	52,471
Furniture and equipment	934,132	945,124
	3,083,105	3,094,097
Less accumulated depreciation	(1,171,046)	(1,074,457)
Total	$ 1,912,059	$ 2,019,640

Depreciation and amortization amounting to $108,148 and $129,939 for the years ended December 31, 2010 and 2009, respectively, is included in occupancy and equipment expense and data processing expense.

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 non cancelable rentals under these leases are as follows:

2011	$ 67,002
2012	32,400
	$ 99,402

NOTE F - PREMISES AND EQUIPMENT, (Continued)

Rental expense amounting to $90,605 and $91,605 during the years ended December 31, 2010 and 2009, respectively, is included in occupancy and equipment expense on the accompanying consolidated statements of operations.

NOTE G - DEPOSITS

At December 31, 2010, the scheduled maturities of time deposits (dollars in thousands) are as follows:

2011	$ 60,266
2012	10,845
2013	22,659
2014	4,822
2015	1,138
Total	$ 99,730

The above table includes time deposits of $100,000 and over, which at December 31, 2010, totaled $53.7 million. Of that total, $5.5 million had scheduled maturities within three months; $4.5 million after three but within six months; $20.7 million after six but within twelve months; and $23.0 million after twelve months.

NOTE H - BORROWINGS

In 2009 the Company was able to purchase federal funds through an unsecured $3 million federal funds line of credit. In 2010, the unsecured federal funds line was not renewed.

The Company also has a $5.5 million line of credit with the Federal Reserve Bank that is secured by mortgage backed securities. The Company did not use the line of credit in 2010 or 2009.

The Company has borrowings from the Federal Home Loan Bank of Atlanta (FHLB). Advances from the FHLB are secured by eligible securities and are listed below. The FHLB has placed a $15,250,000 cap on the amount the Company can borrow.

Advances from the FHLB of Atlanta consisted of the following at December 31, 2010 and 2009:

Maturity	Interest Rate	2010	2009
September 8, 2015	3.93%	$ 5,000,000	$ 5,000,000
July 16, 2012	3.90%	1,250,000	1,250,000
February 26, 2012	1.08%	1,500,000	-
June 12, 2013	2.02%	1,250,000	-
November 12, 2013	2.26%	2,500,000	
February 26, 2010	2.74%	-	1,500,000
March 8, 2010	2.56%	-	1,250,000
May 7, 2010	3.21%	-	2,500,000
March 7, 2011	2.90%	-	1,250,000
March 8, 2011	.62%	1,250,000	-
May 12, 2011	3.36%	-	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
		$ 15,250,000	$ 17,750,000

Advances maturing in 2011 have been disclosed as short term borrowings on the consolidated balance sheet.

NOTE H – BORROWINGS, (Continued)

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. The Company has elected to defer interest payments on the Notes starting on March 15, 2010.

NOTE I - INCOME TAXES

The significant components of the provision for income taxes for 2010 and 2009 are as follows:

	2010	2009
Current tax provision		
Federal	$ -	$ (1,076,871)
State	-	-
	-	(1,076,871)
Deferred tax provision		
Federal	(2,821,305)	(758,859)
State	(195,150)	(101,553)
Valuation allowance	3,260,064	1,225,763
	243,609	365,351
Provision for income taxes	$ 243,609	$ (711,520)

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:

	2010	2009
Tax expense computed at the statutory federal rate	$ (2,608,186)	$ (1,718,076)
Increase (decrease) resulting from		
State income taxes, net of federal tax effect	(195,150)	(101,553)
Nontaxable income	(164,102)	(240,956)
Other, net	(49,017)	123,302
Valuation allowance	3,260,064	1,225,763
Provision for income taxes	$ 243,609	$ (711,520)

NOTE I - INCOME TAXES (Continued)

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, 2010 and 2009 are as follows:

	2010	2009
Deferred tax assets relating to		
Allowance for loan losses	$ 903,676	$ 578,486
Pre-opening costs and expenses	1,264	1,397
Interest income on non-accrual loans	321,849	152,946
Retirement and stock compensation	230,072	253,992
Investment and OREO impairment	175,372	112,170
Operating loss carryforwards	3,119,710	642,982
Other	10,331	8,377
Total deferred tax assets	4,762,274	1,750,350
Valuation allowance	4,485,827	1,225,763
Total net deferred tax assets	276,447	524,587
Deferred tax liabilities relating to		
Premises and equipment differences	(58,619)	(77,846)
Prepaid expenses	(26,929)	(20,389)
Investment securities available for sale	(161,570)	(402,649)
Other	(29,329)	(23,703)
Total deferred tax liabilities	(276,447)	(524,587)
Net deferred tax asset	$ -	$ -

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, 2010 and 2009 will not be realized, and accordingly, has established a valuation allowance.

NOTE J - OTHER NON-INTEREST EXPENSE

The major components of other non-interest expense for the years ended December 31, 2010 and 2009 are as follows:

	2010	2009
Postage, printing and office supplies	$ 58,103	$ 58,558
Advertising and promotion	115,706	107,454
Professional services	540,714	527,972
FDIC insurance premiums	621,630	498,534
Other	399,705	543,229
Total	$ 1,735,858	$ 1,735,747

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.

NOTE K - REGULATORY MATTERS (Continued)

As of December 31, 2010, the most recent notification from the FDIC categorized the Bank as inadequately capitalized under the regulatory framework for prompt corrective action. 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	Under Consent Order
As of December 31, 2010				
Tier 1 capital (to risk-weighted assets)	$ 4,351	3.65%	4.00%	8.00%
Total capital - (to risk-weighted assets)	5,878	4.93%	8.00%	12.00%
Leverage - Tier 1 capital (to average assets)	4,351	2.59%	4.00%	n/a
As of December 31, 2009				
Tier 1 capital (to risk-weighted assets)	$ 12,135	8.07%	4.00%	n/a
Total capital - (to risk-weighted assets)	14,026	9.33%	8.00%	n/a
Leverage - Tier 1 capital (to average assets)	12,135	6.14%	4.00%	n/a

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.
- 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.

NOTE K - REGULATORY MATTERS (Continued)

- 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.

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.

NOTE K - REGULATORY MATTERS (Continued)

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.

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, 2010 and 2009 is as follows:

	2010	2009
Financial instruments whose contract amounts represent credit risk:		
Commitments to extend credit	$ 525,000	$ 585,000
Undisbursed lines of credit	14,655,147	18,082,724
Commercial and standby letters of credit	112,000	127,000

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:

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

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.

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. No estimation has been included for credit quality.

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, 2010 and 2009:

	2010		2009	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
	(In thousands)			
Financial assets				
Cash and due from banks	$ 3,579	$ 3,579	$ 3,303	$ 3,303
Interest-earning deposits in banks	6,101	6,101	8,748	8,748
Federal funds sold	11,585	11,585	-	-
Time deposits	3,050	3,050	380	380
Investment securities available for sale	29,696	29,696	34,304	34,304
Accrued interest receivable	549	549	765	765
Federal Home Loan Bank stock	1,133	1,133	1,268	1,268
Investment in bank-owned life insurance	3,385	3,385	4,919	4,919
Loans, net	100,106	101,720	131,430	133,537
Financial liabilities				
Deposits	146,100	147,957	161,328	157,853
Borrowings & federal funds purchased	20,405	21,116	22,905	23,512
Accrued interest payable	100	100	111	111

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

Where 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):

	Total	Level 1	Level 2	Level 3
December 31, 2010				
Investment securities available for sale:				
Municipal securities	$ 4,864	$ -	$ 4,864	$ -
Government sponsored enterprises	2,415	-	2,415	-
Other equity securities	11	-	11	-
Mortgage-backed securities	22,406	-	22,406	-
Total assets at fair value	$ 29,696	$ -	$ 29,696	$ -
Total liabilities valued at fair value	$ -	$ -	$ -	$ -
December 31, 2009				
Investment securities available for sale:				
Government sponsored enterprises	$ 1,213	$ -	$ 1,213	$ -
Municipal securities	12,528	-	12,528	-
Mortgage-backed securities	20,563	-	20,563	-
Total assets at fair value	$ 34,304	$ -	$ 34,304	$ -
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, 2010	**Total**	**Level 1**	**Level 2**	**Level 3**
Impaired loans	$ 20,095	$ -	$ 20,095	$ -
Real estate owned	4,705	-	4,705	-
Total assets at fair value	$ 24,800	$ -	$ 24,800	$ -
Total liabilities valued at fair value	$ -	$ -	$ -	$ -
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	$ -	$ -	$ -	$ -

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, 2010 and 2009, expense attributable to the Plan amounted to $0 and $65,619, 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, 2010 and 2009, the Bank recognized $2,684 and $10,740 respectively, in compensation expense for stock options.

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 2010 or 2009.

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, 2010 and 2009 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, 2008	168,596	34,308	134,288	$ 9.98	129,427	$ 9.64	$ 1,351,638
Options granted/vested	-	-	-	-			
Options exercised	-	-	-	-			
Options forfeited	-	13,368	13,368	9.46			
At December 31, 2009	168,596	47,676	120,920	10.04	118,489	$ 9.85	$ -
Options granted/vested	-	-	-	-			
Options exercised	-	-	-	-			
Options forfeited	-	7,292	7,292	19.05			
At December 31, 2010	168,596	54,968	113,628	$ 9.46	113,628	$ 9.46	$ -

The weighted average remaining life of all options outstanding as of December 31, 2010 is 2.66 years. The remaining contractual life of exercisable options is 2.66 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, 2010 and 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, 2010, 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 2010 and 2009.

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, 2010 and 2009 presented in thousands.

Condensed Balance Sheets
December 31, 2010 and 2009

	2010	2009
Assets		
Cash on deposit in subsidiary	$ 10	$ 9
Investment in subsidiary bank	4,636	12,777
Other assets	155	168
Total assets	$ 4,801	$ 12,954
Liabilities		
Junior subordinated debentures	$ 5,155	$ 5,155
Other liabilities	148	5
Total liabilities	5,303	5,160
Stockholders' equity		
Common stock	8,556	8,554
Preferred stock A & B	2,458	2,458
Retained earnings (deficit)	(11,774)	(3,859)
Accumulated other comprehensive income	258	641
Total stockholders' equity	(502)	7,794
Total liabilities and stockholders' equity	$ 4,801	$ 12,954

NOTE O - PARENT COMPANY FINANCIAL DATA (Continued)

Condensed Statements of Operations
Years Ended December 31, 2010 and 2009

	2010	2009
Equity in undistributed net income of bank subsidiary	$ (7,758)	$ (4,318)
Dividends from bank subsidiary	73	151
Interest income	1	5
Interest expense	(112)	(148)
Other expense	(119)	(92)
Income tax benefit	-	60
Net loss	$ (7,915)	$ (4,342)

Condensed Statements of Cash Flows
Years Ended December 31, 2010 and 2009

	2010	2009
Operating activities		
Net loss	$ (7,915)	$ (4,342)
Undistributed net loss (income) of bank subsidiary	7,758	4,318
Compensation expense	2	10
Increase(decrease) in other assets	13	19
Increase (decrease) in other liabilities	143	(3)
Net cash provided by operating activities	1	-
Financing activities	-	-
Net increase in cash	1	-
Cash, beginning of period	9	9
Cash, end of period	$ 10	$ 9

NOTE P –GOING CONCERN

As shown in the accompanying financial statements, at December 31, 2010, the Company did not meet its regulatory capital requirements to be considered adequately capitalized. The Company also incurred significant net losses for the years ended December 31, 2010 and 2009 as loan charge-offs remained high along with the level of impaired assets in relation to total assets. As a result the Company's capital ratios have declined to a level where it is considered to be undercapitalized. These factors create an uncertainty about the Company's ability to continue as a going concern. Effective February 11, 2010, Cornerstone Bank entered into a Consent Order with the NC Commissioner of Banks and the FDIC (collectively, the "Bank Regulators"). Pursuant to the Bank Consent Order the Bank agreed with the Bank Regulators to 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 Bank Consent Order and to undertake certain other actions described in Note K.

NOTE P –GOING CONCERN (Continued)

On December 31, 2010, the Bank's Tier 1 leverage ratio was 2.59% and Total Risk Based Capital Ratio was 4.93%. The Company's plan for achieving and maintaining the required capital levels in the Consent Order includes reducing the size of the balance sheet, cutting expenses and raising additional capital. Management of the Company is in process of soliciting additional capital through a private placement offering. The offering is for Units consisting of shares of the Company's Series C preferred stock having a non-cumulative dividend of 5% per annum and each share convertible into 10 shares of Company Common Stock. Achieving the required capital ratios is totally dependent on a successful sale of Units in this offering and the resulting capital contribution to the Bank. In the event the Company was to receive $6.5 million in gross proceeds from the Offering, the Company estimates that the resulting capital contribution to the Bank would increase the Bank's Tier 1 Leverage Ratio to more than 8.7% and Total Risk Based Capital Ratio to more than 10%. The achievement of these ratios will meet the "well capitalized" regulatory definition. In the event the Company was to receive $9 million in gross proceeds from the Offering, the Company estimates that the resulting capital contribution to the Bank would cause the Bank's Total Risk Based Capital Ratio to exceed the 12% level required under the Bank Consent Order. The private placement offering will expire on August 12, 2011.

The ability of the Company to continue as a going concern is dependent on the success of the private placement and there can be no assurances that the Company will be successful in its efforts to raise additional capital. The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the discharge of liabilities in the normal course of business for the foreseeable future, and does not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

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.

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

Allen T. Nelson, Jr.
Chief Financial Officer

Office Locations

www.thecornerstonebank.com

3710 Nash Street North Wilson, NC 27896	1435 Ward Boulevard Wilson, NC 27893

Regulatory and Securities Counsel	***Stock Transfer Agent***
Brooks, Pierce, McLendon Humphrey & Leonard, L.L.P. P. O. Box 26000 Greensboro, NC 27420	First Shareholder Services Mail Code: FCC61 P.O. Box 29522 Raleigh, NC 27626-0522

Independent Auditors

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

Annual Stockholders Meeting

The 2011 Annual Meeting of stockholders of CB Financial Corporation will be held at 10:00 a.m. on June 29, 2011 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.