CNB Financial Corporation
Annual Report

2001

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Consolidated Financial Highlights

(in thousands, except per share data)

		2001	2000	% Change
For The Year				
	Interest Income	**$ 40,809**	$ 40,646	0.4%
	Interest Expense	**19,147**	19,834	(3.5)%
	Net Interest Income	**21,662**	20,812	4.1%
	Net Income	**6,510**	5,433	19.8%
	Return on:			
	Average Assets	**1.11%**	0.97%	14.4%
	Average Equity	**12.15%**	10.80%	12.5%
CASH OPERATING BASIS*				
	Net Income	**$ 7,628**	$ 6,655	14.6%
	Return on:			
	Average Assets	**1.32%**	1.19%	10.9%
	Average Equity	**14.39%**	13.23%	8.8%
At Year End				
	Assets	**$592,794**	$555,365	6.7%
	Deposits	**506,640**	485,217	4.4%
	Loans, net of unearned	**386,173**	366,156	5.5%
	Shareholders' Equity	**54,894**	51,203	7.2%
	Trust Assets Under Management (at market value)	**206,631**	194,472	6.3%
Per Share Data				
	Net Income, diluted	**$ 1.78**	$ 1.48	20.3%
	Dividends	**0.93**	0.84	10.7%
	Book Value	**15.08**	13.96	8.0%
	Market Value	**22.80**	15.13	50.7%

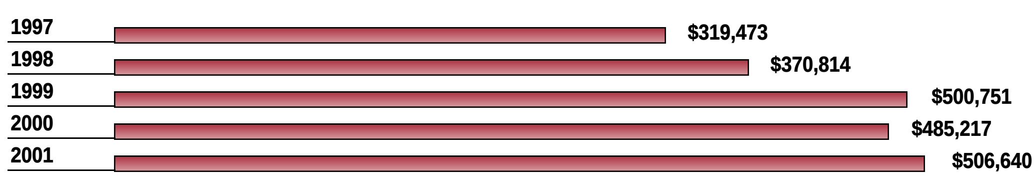
*Cash operating basis results exclude one time merger and acquisition costs and the effect on earnings of amortization expense applicable to intangible assets not included in regulatory capital.

Message to Shareholders

To Our Shareholders, Customers & Friends:

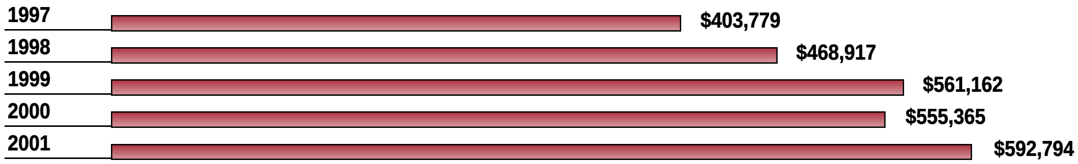
We are extremely proud to report that the year 2001 marked the second consecutive year of strong earnings growth as the Corporation continues to realize the value of the assets acquired during our expansionary period in the latter part of the 1990's. The Corporation's cash operating earnings for the year reached a record level of $7.6 million for an increase of 15% over the year 2000. This follows the previous year increase of 16% and results in a five year increase for the period 1997 through 2001 of 56%. We are very proud of this performance and are pleased to present this report to you.

Our earnings performance continues to be driven by revenue growth from ongoing operations as net interest income plus non-interest income increased by $1.5 million or 5.7% during the year before security gains, and operating expenses increased by only $125 thousand or 0.7%. This demonstrates the significant benefit of acquiring earning assets and efficiently managing them. While prior years' asset growth came from purchases of branches and a bank, the year of 2001 marked growth driven internally with core deposits increasing by $21.4 million. These additional deposits were utilized to fund loan growth of $20.0 million. In addition, the Corporation increased its wholesale borrowings by $10.0 million using the funding to increase investments in order to increase our level of earning assets. During the coming year, we anticipate continued growth in assets as we further increase deposits through our branch network and via borrowings.



Deposit Growth
(in thousands)

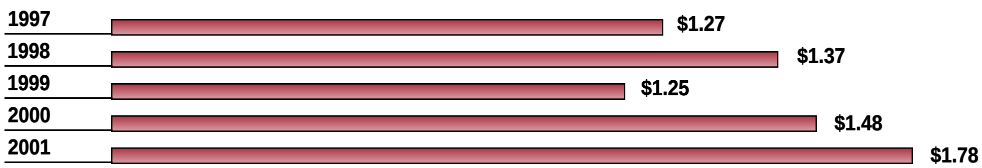
A key initiative taken during 2001 was the focus on growing our market share of consumer deposits and loans. Our Positively Free Checking program, which was introduced in April, yielded a dramatic 25% increase in checking account customers. These new accounts resulted in an increase of $10.0 million in new low cost deposits. We will continue to use this well received and customer friendly product to grow our core business. In addition to our checking program, we were able to capture significant residential mortgage loan volume due to the high level of mortgage refinancings, which occurred due to the dramatic decline in interest rates during the year. We originated and sold $24.9 million in mortgages, which generated current non-interest income with the gain or sale of the loans. In addition, we will gain future income from servicing these accounts. We strongly believe that the basic checking account and mortgage loan continue to represent the key elements of a strong consumer customer relationship.



Asset Growth
(in thousands)

In spite of a slowing economy, the quality of our loan assets continues to remain strong. By continuing to maintain consistently applied loan underwriting standards, we ended the year with total non-performing assets of $1.9 million or 0.42% of outstanding loans. This represents a reduction of $600 thousand or 24.5% from prior year end. Our net loan losses for the year totaled $864 thousand, up from $818 thousand or 5.6% from the prior year. Our net losses represented 0.22% of year-end outstanding loans. We are confident that our strong credit culture will continue to yield this level of asset quality.

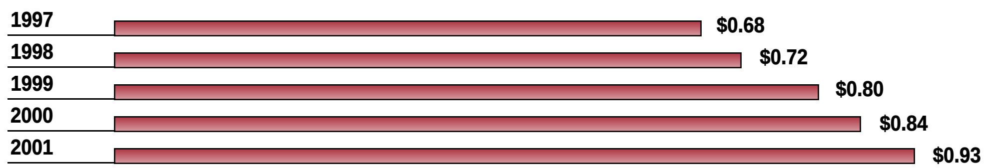
As stated in last year's letter, we looked to implement new technology throughout our branch network to more efficiently serve our customers and assist us in creating internal efficiencies in order to control operating costs. We have successfully deployed this technology and are experiencing immediate paybacks which will continue to accumulate with future growth and activity at the branch level. This will continue to allow us to keep the pace of growth of operating costs below the rate of growth in revenues. In addition to technology enhancements, we also introduced drive-up banking capability in our Kane Office and completed the renovation of our Johnsonburg Office.



Earnings Per Share
(adjusted for stock splits)

The year of 2001 marked the beginning of a period of recession in our national economy, which of course has impacted our local economy. Short-term interest rates dropped rapidly to levels not experienced in forty years. The stock markets experienced a down year as stock valuations began to adjust to more traditional levels. In spite of these trends, our Corporation experienced an excellent year of growth in earnings per share to $1.78 from $1.48 in 2000. Concurrent with this strong growth was the increase in market value of our stock, which opened the year trading at $15.13 and closing at $22.80. Coupled with dividend paid of $0.93, our stock yielded a total return of 56.8%

during 2001. In the other key measurement of performance for the shareholder, our return of equity reached 14.39% as measured by cash operating earnings and 12.15% as measured by book earnings. We continue to strive to utilize our capital in order to deliver a desired level of return on equity in the 15% to 20% range. In order to assist shareholders in the management of their investment in our Corporation, we introduced our Dividend Reinvestment Plan and Cash Purchase Option during 2001. Both of these vehicles for further investment have been well received and participation continues to steadily increase. Our Corporation gains the added benefit of additional liquidity in our stock as we acquire shares in the market in order to fund these plans.



Dividends Paid Per Share
(adjusted for stock splits)

As we confidently look forward to the coming year, I would like to conclude by thanking our Board of Directors and employees for their hard work in producing another rewarding year to our shareholders. Their accomplishments have yielded a company with strong earnings growth providing solid returns to our shareholders. We will continue to focus on the opportunities to expand our business within the markets we serve by utilizing our culture of simply executing better on the basics in order to continue to deliver consistent earnings growth.

William F. Falger
President and Chief Executive Officer

Consolidated Statements of Condition

(in thousands, except share data)	December 31	
Assets	**2001**	2000
Cash and due from banks	**$ 17,350**	$ 15,711
Interest bearing deposits with other banks	**2,041**	2,262
CASH AND CASH EQUIVALENTS	**19,391**	17,973
Securities available for sale	**152,757**	136,250
Loans held for sale	**5,334**	2,494
Loans and leases	**388,455**	369,878
Less: unearned discount	**2,282**	3,722
Less: allowance for loan and lease losses	**4,095**	3,879
NET LOANS	**382,078**	362,277
FHLB and Federal Reserve Stock	**1,932**	3,025
Premises and equipment, net	**12,485**	12,805
Accrued interest and other assets	**6,052**	6,412
Intangible assets, net	**12,765**	14,129
TOTAL ASSETS	**$592,794**	$555,365
Liabilities		
Deposits:		
Non-interest bearing deposits	**$ 60,241**	$ 52,757
Interest bearing deposits	**446,399**	432,460
TOTAL DEPOSITS	**506,640**	485,217
Other borrowings	**23,268**	13,341
Accrued interest and other liabilities	**7,992**	5,604
TOTAL LIABILITIES	**537,900**	504,162
Shareholders' Equity		
Common stock $1.00 par value for 2001 and 2000		
Authorized 10,000,000 shares for 2001 and 2000		
Issued 3,693,500 shares for 2001 and 2000	**3,694**	3,694
Additional paid in capital	**3,753**	3,742
Retained earnings	**47,731**	44,631
Treasury stock, at cost (53,568 shares for 2001 and 26,862 shares for 2000)	**(1,236)**	(692)
Accumulated other comprehensive income	**952**	(172)
TOTAL SHAREHOLDERS' EQUITY	**54,894**	51,203
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	**$592,794**	$555,365

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income

(in thousands, except per share data)	Year ended December 31,		
	2001	2000	1999
Interest and Dividend Income			
Loans including fees	**$31,323**	$32,075	$27,990
Deposits with banks	**169**	137	60
Federal funds sold	**434**	67	386
Securities:			
Taxable	**6,788**	5,990	4,665
Tax-exempt	**1,526**	1,813	1,888
Dividends	**569**	564	264
TOTAL INTEREST AND DIVIDEND INCOME	**40,809**	40,646	35,253
Interest Expense			
Deposits	**17,971**	18,660	15,579
Borrowed funds	**1,176**	1,174	981
TOTAL INTEREST EXPENSE	**19,147**	19,834	16,560
Net interest income	**21,662**	20,812	18,693
Provision for loan losses	**1,080**	807	643
Net interest income after provision for loan losses	**20,582**	20,005	18,050
Non-interest Income			
Trust & asset management fees	**1,015**	924	797
Service charges - deposit accounts	**2,900**	2,279	1,703
Other service charges and fees	**525**	604	468
Net security gains	**276**	79	36
Net gain on sale of loans	**45**	53	73
Other	**837**	542	598
TOTAL NON-INTEREST INCOME	**5,598**	4,481	3,675
Non-interest Expenses			
Salaries	**6,151**	6,185	5,689
Employee benefits	**2,027**	2,263	1,929
Net occupancy expense of premises	**2,439**	2,392	2,056
Data processing	**1,261**	1,207	1,145
Intangible amortization	**1,823**	1,852	1,072
Other	**3,673**	3,350	3,770
TOTAL NON-INTEREST EXPENSES	**17,374**	17,249	15,661
Income before income taxes	**8,806**	7,237	6,064
Applicable income taxes	**2,296**	1,804	1,460
Net income	**$6,510**	$ 5,433	$ 4,604
EARNINGS PER SHARE			
Basic	**$1.78**	$ 1.48	$ 1.26
Diluted	**$1.78**	$ 1.48	$ 1.25

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

(in thousands)	Year ended December 31,		
	2001	2000	1999
Cash Flows from Operating Activities:			
Net income	**$ 6,510**	$ 5,433	$ 4,604
Adjustments to reconcile net income to net cash provided by operations:			
Provision for loan losses	**1,080**	807	643
Depreciation and amortization	**3,006**	2,951	2,036
Amortization and accretion of deferred loan fees	**(520)**	(477)	61
Deferred taxes	**(434)**	269	611
Security gains	**(276)**	(79)	(36)
Gain on sale of loans	**(45)**	(53)	(73)
Net losses (gains) on dispositions of acquired property	**(16)**	4	19
Proceeds from sales of loans	**27,728**	9,461	13,914
Origination of loans for sale	**(30,524)**	(9,521)	(11,923)
Changes in:			
Interest receivable and other assets	**438**	(386)	(2,909)
Interest payable and other liabilities	**2,249**	(1,280)	1,707
Net cash from operating activities	**9,196**	7,129	8,654
Cash Flows from Investing Activities:			
Proceeds from maturities, prepayments and calls of:			
Securities held to maturity	**—**	310	2,325
Securities available for sale	**49,698**	23,541	26,035
Proceeds from sales of securities available for sale	**19,081**	7,483	17,513
Purchase of securities available for sale	**(83,513)**	(25,200)	(79,392)
Loan origination and payments, net	**(20,160)**	(3,593)	(51,057)
(Purchase) of Federal Reserve Bank Stock and Federal Home Loan Bank Stock	**—**	(150)	(1,269)
Acquisitions, net of cash received	**—**	—	(14,382)
Purchase of premises and equipment	**(863)**	(1,050)	(3,148)
Proceeds from the sale of foreclosed assets	**572**	264	277
Net cash from investing activities	**(35,185)**	1,605	(103,098)
Cash Flows from Financing Activities:			
Net change in:			
Checking, money market and savings accounts	**29,199**	(7,084)	20,597
Certificates of deposit	**(7,776)**	(8,450)	82,072
Treasury stock	**(533)**	48	(579)
Cash dividends paid	**(3,410)**	(3,080)	(2,897)
Advances from other borrowings	**10,710**	10,000	5,000
Repayments of other borrowings	**—**	(5,000)	(16,019)
Net advances (repayments) from federal funds purchased	**(783)**	1,591	1,391
Net cash from financing activities	**27,407**	(11,975)	89,565
Net increase (decrease) in cash and cash equivalents	**1,418**	(3,241)	(4,879)
Cash and cash equivalents at beginning of year	**17,973**	21,214	26,093
Cash and cash equivalents at end of period	**$ 19,391**	$ 17,973	$ 21,214
Supplemental disclosures of cash flow information:			
Cash paid during the period for:			
Interest	**$ 19,533**	$ 19,773	$ 17,077
Income taxes	**2,670**	1,600	2,125
Supplemental non cash disclosures:			
Transfers from securities held to maturity to securities available for sale	**$ —**	$ 3,431	$ —
Transfers to other real estate owned	**$ 166**	$ 627	$ 348

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Shareholders' Equity

(in thousands, except per share data)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance January 1, 1999	$3,694	$3,693	$40,571	$(112)	$1,528	$49,374
Comprehensive income:						
Net income for 1999			4,604			4,604
Other comprehensive income:						
Net change in unrealized gains on available for sale securities, net of taxes of $1,473 and adjustment for after tax gains of $24					(2,859)	(2,859)
Total comprehensive income						1,745
Treasury stock:						
Purchase (19,600 shares)				(617)		(617)
Reissue (1,515 shares)		24		14		38
Cash dividends declared ($0.80 and $0.26 per share, CNB and Spangler, respectively)			(2,897)			(2,897)
Balance December 31, 1999	3,694	3,717	42,278	(715)	(1,331)	47,643
Comprehensive income:						
Net income for 2000			5,433			5,433
Other comprehensive income:						
Cumulative effect of securities transferred, net					7	7
Net change in unrealized losses on available for sale securities, net of taxes of $900 and adjustment for after tax gains of $52					1,152	1,152
Total comprehensive income						6,592
Treasury stock:						
Reissue (2,329 shares)		25		23		48
Cash dividends declared ($0.84 per share)			(3,080)			(3,080)
Balance December 31, 2000	**3,694**	**3,742**	**44,631**	**(692)**	**(172)**	**51,203**
Comprehensive income:						
Net income for 2001			**6,510**			**6,510**
Other comprehensive income:						
Net change in unrealized gains on available for sale securities, net of taxes of $577 and adjustment for after tax gains of $182					**1,124**	**1,124**
Total comprehensive income						**7,634**
Treasury stock:						
Purchase (38,725 shares)				**(770)**		**(770)**
Reissue (12,044 shares)		**11**		**226**		**237**
Cash dividends declared ($0.93 per share)			**(3,410)**			**(3,410)**
Balance December 31, 2001	**$3,694**	**$3,753**	**$47,731**	**$(1,236)**	**$952**	**$54,894**

The accompanying notes are an integral part of these statements.

1. Summary of Significant Accounting Policies

Unless otherwise indicated, amounts are in thousands, except per share data.

Business and Organization:

CNB Financial Corporation (the "Corporation"), is headquartered in Clearfield, Pennsylvania, and provides a full range of banking and related services through its wholly owned subsidiary, County National Bank (the "Bank"). The Bank also provides trust services, including the administration of trusts and estates, retirement plans, and other employee benefit plans. The Bank serves individual and corporate customers and is subject to competition from other financial institutions and intermediaries with respect to these services. The Corporation is also subject to examination by Federal regulators. The Corporation's market area is in the central region of the state of Pennsylvania.

Basis of Financial Presentation:

The financial statements are consolidated to include the accounts of the Corporation and its subsidiaries, County National Bank, CNB Investment Corporation and County Reinsurance Company. These statements have been prepared in accordance with accounting principles generally accepted in the United States. All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements.

Use of Estimates:

To prepare financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided, and future results could differ. The allowance for loan losses, mortgage servicing rights and fair values of financial instruments are particularly subject to change.

Operating Segments:

FAS No.131 requires disclosures about an enterprise's operating segments in financial reports issued to shareholders. The Statement defines an operating segment as a component of an enterprise that engages in business activities that generate revenue and incur expense, and the operating results of which are reviewed by the chief operating decision maker in the determination of resource allocation and performance. While the Corporation's chief decision-makers monitor the revenue streams of the various Corporation's products and services, operations are managed and financial performance is evaluated on a Corporation-wide basis. Accordingly, the Corporation's business activities are currently confined to one segment which is community banking.

Securities:

When purchased, investments are classified as held to maturity, trading or available for sale. Debt securities are classified as held to maturity when the Corporation has the positive intent and ability to hold the securities to maturity. Held to maturity securities are stated at amortized cost. Debt or equity securities are classified as trading when purchased principally for the purpose of selling them in the near term. Available for sale securities are those securities not classified as held to maturity or trading and are carried at their fair market value. Unrealized gains and losses, net of tax, on securities classified as available for sale are recorded as other comprehensive income. Unrealized gains and losses on securities classified as trading are included in other income. Management has not classified any debt or equity securities as trading.

The amortized cost of debt securities classified as held to maturity or available for sale is adjusted for the amortization of premiums and the accretion of discounts over the period through contractual maturity or, in the case of mortgage-backed securities and collateralized mortgage obligations, over the estimated life of the security. Such amortization is included in interest income from investments. Securities are written down to fair value when a decline in fair value is not temporary. Gains and losses on securities sold is based on the specific identification method.

Loans:

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at the principal balance outstanding, net of unearned interest, deferred loan fees and costs, and an allowance for loan losses. Loans held for sale are reported at the lower of cost or market, on an aggregate basis.

Interest income with respect to loans and leases is accrued on the principal amount outstanding. The Bank discontinues the accrual of interest when, in the opinion of management, there exists doubt as to the ability to collect such interest. Loan fees and certain direct origination costs are deferred and the net amount amortized as an adjustment to the related loan interest income yield over the terms of the loans.

Direct Lease Financing:

Financing of equipment, principally consisting of automobiles, is provided to customers under lease arrangements accounted for as direct financing leases. These leases are reported in the consolidated statements of condition under the loan caption as a net amount, consisting of the aggregate of lease payments receivable and estimated residual values, less unearned income. Income is recognized in a manner which results in an approximate level yield over the lease term.

Allowance for Loan and Lease Losses:

The allowance for loan and lease losses is established through provisions for loan losses which are charged against income. Loans which are deemed to be uncollectible are charged against the allowance account. Subsequent recoveries, if any, are credited to the allowance account.

Management determines the adequacy of the allowance based on historical patterns of charge-offs and recoveries, information about specific borrower situations, industry experience, and other qualitative factors relevant to the collectability of the loan portfolio. While management believes that the allowance is adequate to absorb probable loan losses, future adjustments may be necessary due to circumstances that differ substantially from the assumptions used in evaluating the adequacy of the allowance for loan losses.

A loan is impaired when full payment under the loan terms is not expected. Impairment is evaluated in total for smaller-balance loans of similar nature such as residential mortgage, consumer, and credit card loans, and on an individual loan basis for other loans. If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral.

Premises and Equipment:

Premises and equipment are stated at cost less accumulated depreciation. Depreciation of premises and equipment is computed principally by the straight line method over the estimated useful lives of the various classes of assets. Amortization of leasehold improvements is computed using the straight-line method over useful lives of the leasehold improvements or the term of the lease, whichever is shorter. Maintenance, repairs and minor renewals are charged to expense as incurred.

Other Assets:

Other assets include real estate acquired through foreclosure or in settlement of debt and is stated at the lower of the carrying amount of the indebtedness or fair market value, net of selling costs. The property is evaluated regularly and any decreases in the carrying amount are charged to expense. Any expenses incurred after acquisition are expensed.

Intangibles:

Purchased intangibles, primarily goodwill and core deposit value, are recorded at cost and amortized over the estimated life. Goodwill amortization is straight-line over 10 years, and core deposit amortization is straight-line over 10 years.

Income Taxes:

The Corporation files a consolidated U. S. income tax return. Deferred taxes are recognized for the expected future tax consequences of existing differences between the financial reporting and tax reporting bases of assets and liabilities using enacted tax laws and rates. Income tax expense is the total of the current year income tax due or refundable and the changes in deferred tax assets and liabilities.

Mortgage Servicing Rights (MSR's):

Mortgage servicing assets are recognized as separate assets when servicing rights are acquired through purchase or loan originations, when there is a definitive plan to sell the underlying loan. Capitalized MSR's are reported in other assets and are amortized into non-interest income in proportion to, and over the period of, the estimated future net servicing income of the underlying mortgage loans. Capitalized MSR's are evaluated for impairment based on the fair value of those rights. The MSR's recognized, $203 in 2001 and $72 in 2000, are included in other assets.

Treasury Stock:

The purchase of the Corporation's common stock is recorded at cost. Purchases of the stock are made both in the open market and through negotiated private purchases based on market prices. At the date of subsequent reissue, the treasury stock account is reduced by the cost of such stock on a first-in-first-out basis.

Stock Options:

FAS No. 123 defines a fair value-based method of accounting for stock-based employee compensation plans. Under the fair value-based method compensation cost is measured at the grant date based upon the value of the award and is recognized over the service period. The standard encourages all entities to adopt this method of accounting for all employee stock compensation plans. However, it also allows an entity to continue to measure compensation costs for its plans as prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." Since the Corporation has elected to use the accounting in APB No. 25, pro forma disclosures of net income and earnings per share are made as if the fair value method of accounting, as defined by FAS No. 123, had been applied.

Comprehensive Income:

The Corporation presents comprehensive income as part of the Statement of Changes in Stockholders' Equity. Other comprehensive income (losses) are comprised exclusively of unrealized holding gains (losses) on the available for sale securities portfolio.

Earnings per Share:

Basic earnings per share is determined by dividing net income by the weighted average number of shares outstanding. Diluted earnings per share is determined by dividing net income by the weighted average number of shares outstanding increased by the number of shares that would be issued assuming the exercise of stock options.

Cash and Cash Equivalents:

For purposes of the consolidated statement of cash flows, the Corporation defines cash and cash equivalents as cash and due from banks, interest bearing deposits with other banks, and Federal funds sold.

Restrictions on Cash:

The Bank is required to maintain average reserve balances with the Federal Reserve Bank. The average amount of these reserve balances for the year ended December 31, 2001, was approximately $50, which was maintained in vault cash.

New Accounting Standards:

New accounting standards required all business combinations to be recorded using the purchase method of accounting for any transaction initiated after June 30, 2001. Under the purchase method, all identifiable tangible and intangible assets and liabilities of the acquired company must be recorded at fair value at date of acquisition, and the excess of cost over fair value of net assets acquired is recorded as goodwill. Identifiable intangible assets must be separated from goodwill. Identifiable intangible assets with finite useful lives will be amortized under the new standard, whereas goodwill, both amounts previously recorded and future amounts purchased, will cease being amortized starting in 2002. Annual impairment testing will be required for goodwill with impairment being recorded if the carrying amount of goodwill exceeds its implied fair value. Adoption of this standard on January 1, 2002 will not have a material effect on the Corporation's financial statements.

In October, 2001, the FASB issued SFAS No. 144, 'Accounting for the Impairment or Disposal of Long-Lived Assets'. SFAS 144 supercedes SFAS 121 and applies to all long-lived assets (including discontinued operations) and consequently amends APB Opinion No. 30, 'Reporting Results of Operations-Reporting the Effects of Disposal of a Segment of a Business'. SFAS 144 requires that long-lived assets that are to be disposed of by sale be measured at the lower of book value or fair value less costs to sell. SFAS 144 is effective for financial statements issued for fiscal years beginning after December 15, 2001 and, generally, its provisions are to be applied prospectively. The adoption of this statement is not expected to have a material effect on the Company's financial statements.

Loss Contingencies:

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there now are such matters that will have a material effect on the financial statements.

Fair Value of Financial Instruments:

Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in a separate note. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect the estimates.

Reclassifications:

Certain prior year amounts have been reclassified for comparative purposes.

2. Earnings Per Share

Earnings per share (EPS) is calculated on the weighted average number of common shares outstanding during the year. Currently a dual presentation of basic and diluted EPS is required. The computation of basic and diluted EPS is shown below (in thousands, except per share data):

	Years Ended December 31		
	2001	2000	1999
Net income applicable to common stock	**$ 6,510**	$ 5,433	$ 4,604
Weighted-average common shares outstanding	**3,661**	3,665	3,665
Basic earnings per share	**$ 1.78**	$ 1.48	$ 1.26
Net income applicable to common stock	**$ 6,510**	$ 5,433	$ 4,604
Weighted-average common shares outstanding	**3,661**	3,665	3,665
Dilutive effects of assumed exercise of stock options	**3**	—	6
Total weighted-average common shares and equivalents	**3,664**	3,665	3,671
Diluted earnings per share	**$ 1.78**	$ 1.48	$ 1.25

Stock options for 26,500 and 47,500 shares of common stock were not considered in computing diluted earnings per common share for 2001 and 2000 because they were antidilutive.

3. Securities

Investment securities at December 31, 2001 and 2000 were as follows:

	December 31, 2001				December 31, 2000			
	Amortized Cost	**Unrealized Gains**	**Unrealized Losses**	**Market Value**	Amortized Cost	Unrealized Gains	Unrealized Losses	Market Value
Securities available for sale:								
U.S. Treasury	**$ 14,046**	**$ 263**	**$ (1)**	**$14,308**	$ 23,045	$ 122	$ (8)	$ 23,159
U.S. Government agencies and corporations	**24,073**	**503**	**(7)**	**24,569**	25,926	105	(11)	26,020
Obligations of States and Political Subdivisions	**25,450**	**478**	**(175)**	**25,753**	35,111	428	(197)	35,342
Mortgage-backed securities	**39,073**	**238**	**(308)**	**39,003**	18,243	20	(211)	18,052
Corporate notes and bonds	**40,563**	**967**	**(514)**	**41,016**	26,998	220	(569)	26,649
Marketable equity securities	**8,115**	**97**	**(104)**	**8,108**	7,186	164	(322)	7,028
Total securities available for sale	**$151,320**	**$2,546**	**$(1,109)**	**$152,757**	$136,509	$1,059	$(1,318)	$136,250

On December 31, 2001 investment securities carried at $24,885 were pledged to secure public deposits and for other purposes as provided by law.

The following is a schedule of the contractual maturity of investments excluding equity securities, at December 31, 2001:

	Available for Sale	
	Amortized Cost	**Market Value**
1 year or less	$ 18,806	$ 19,142
1 year-5 years	44,017	45,070
5 years-10 years	18,202	18,681
After 10 years	23,107	22,753
	104,132	105,646
Mortgage-backed securities	39,073	39,003
Total securities	$143,205	$144,649

Collateralized mortgage obligations and other asset-backed securities are not due at a single date; periodic payments are received based on the payment patterns of the underlying collateral.

Information pertaining to security sales is as follows:

	Proceeds	Gross Gains	Gross Losses
2001	**$19,089**	**$371**	**$95**
2000	7,483	176	97
1999	17,513	124	88

On July 1, 2000, the Corporation adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 allows the Corporation a one time reclassification of securities held to maturity to classification as available for sale or trading to allow hedging of securities. The Corporation had no derivatives. The Corporation transferred securities with a carrying value of $3,431 previously classified as held to maturity to available for sale upon adoption. The unrealized gain on the securities transferred totaled $10. On July 1, 2000, the Corporation's equity and comprehensive income increased $7 (after tax effects) as a result of the transfer.

4. Loans

Total Loans at December 31, 2001 and 2000 are summarized as follows:

	2001	2000
Commercial, Financial and Agricultural	**$ 98,745**	$ 79,229
Residential Mortgage	**154,115**	160,525
Commercial Mortgage	**73,904**	59,680
Installment	**39,442**	40,126
Lease Receivables	**22,249**	30,318
	$388,455	$369,878

Lease receivables at December 31, 2001 and 2000 are summarized as follows:

	2001	2000
Lease payment receivable	**$ 8,991**	$12,869
Estimated residual values	**13,258**	17,449
Gross lease receivables	**22,249**	30,318
Less unearned income	**(2,281)**	(3,719)
Net lease receivables	**$19,968**	$26,599

At December 31, 2001 and 2000, net unamortized loan costs of $721 and $711, respectively, have been included in the carrying value of loans.

The Bank's outstanding loans and related unfunded commitments are primarily concentrated within Central Pennsylvania. The Bank attempts to limit concentrations within specific industries by utilizing dollar limitations to single industries or customers, and by entering into participation agreements with third parties. Collateral requirements are established based on management's assessment of the customer.

Deposit accounts that have overdrawn their current balance, overdrafts, are reclassified to loans. Overdrafts included in loans are $2,583 in 2001 and $1,587 in 2000.

Nonperforming loans were as follows:

	2001	2000
Loans past due over 90 days still on accrual	**$ 432**	$1,136
Nonaccrual loans	**$1,174**	$ 652

Nonperforming loans include all (or almost all) impaired loans and smaller balance homogeneous loans, such as residential mortgage and consumer loans, that are collectively evaluated for impairment. No loans were determined to be impaired at December 31, 2001 and 2000, nor were any loans during the years then ended.

5. Allowance for Loan and Lease Losses

Transactions in the Allowance for Loan and Lease Losses for the three years ended December 31 were as follows:

	2001	2000	1999
Balance, Beginning of Year	**$3,879**	$3,890	$3,314
Charge-offs	**(1,015)**	(967)	(616)
Recoveries	**151**	149	193
Net Charge-offs	**(864)**	(818)	(423)
Provision for Loan and Lease Losses	**1,080**	807	643
Acquisition	**—**	—	356
Balance, End of Year	**$4,095**	$3,879	$3,890

6. Premises and Equipment

The following summarizes Premises and Equipment at December 31:

	2001	2000
Land	**$1,650**	$ 1,527
Premises and Leasehold Improvements	**11,080**	11,035
Furniture and Equipment	**7,955**	7,359
	20,685	19,921
Less Accumulated Depreciation and Amortization	**(8,200)**	(7,116)
Premises and Equipment, Net	**$12,485**	$12,805

Depreciation on Premises and Equipment amounted to $1,183 in 2001, $1,099 in 2000, $957 in 1999.

The Corporation is committed under four noncancellable operating leases for facilities with initial or remaining terms in excess of one year. The minimum annual rental commitments under these leases at December 31, 2001 are as follows:

2002	$154
2003	145
2004	113
2005	113
2006	113
Thereafter	756
	$1,394

Rental expense, net of rental income, charged to occupancy expense for 2001, 2000, and 1999 was $111, $141 and $184, respectively.

7. Intangible Assets, Net

The following table reflects the components of the intangible assets at December 31:

	2001	2000
Intangible assets	**$17,993**	$17,534
Less: accumulated amortization	**(5,228)**	(3,405)
Intangible assets, net	**$12,765**	$14,129

8. Deposits

The following table reflects time certificates of deposit and IRA accounts included in total deposits and their remaining maturities at December 31:

Time Deposits Maturing:	**2001**	2000
2002	**$192,365**	$120,432
2003	**16,025**	103,844
2004	**10,052**	5,780
2005	**10,564**	6,634
Thereafter	**5,915**	6,100
	$234,921	$242,790

Certificates of Deposit of $100,000 or more totaled $34,030 and $32,574 at December 31, 2001 and 2000, respectively.

9. Other Borrowings

Other borrowings include $308 and $1,891 of demand notes payable to the U.S. Treasury Department at December 31, 2001 and 2000, respectively. These notes are issued under the U.S. Treasury Department's program of investing the treasury tax and loan account balances in interest bearing demand notes insured by depository institutions. These notes bear interest at a rate of .25 percent less than the average Federal funds rate as computed by the Federal Reserve Bank. The Corporation has available a $5 million line of credit with an unaffiliated institution. Terms of the line are floating at 30 day LIBOR plus 180 basis points which equated to a rate of 3.91% at year end. The outstanding balance on the loan at year end 2001 was $710. At year end 2001, the Bank had remaining borrowing capacity with the FHLB of $161 million. Borrowings with the FHLB are secured by a blanket pledge of selected securities in the amount of $76,421 and certain mortgage loans with a value of $162,619. Also, other borrowings include advances from the Federal Home Loan Bank (FHLB) at December 31, 2001, and 2000 as follows:

			December 31,	
	Interest Rate	Maturity	**2001**	2000
Variable				
	Overnight	Daily	**$2,250**	$ 1,450
	(a)	3/1/10	**10,000**	10,000
	(b)	1/3/11	**10,000**	—
Total borrowed funds			**$22,250**	$11,450

(a) Interest rate is fixed for one year at which time FHLB has option to float the interest rate based on the 3 month LIBOR +.16, the interest rate was 6.09% at December 31, 2001.

(b) Interest rate is fixed for one year at which time FHLB has option to float the interest rate based on the 3 month LIBOR +.20, the interest rate was 4.95% at December 31, 2001.

Following are maturities of borrowed funds as of December 31, 2001:

2002	$ 3,268
2003	—
2004	—
2005	—
2006	—
Thereafter	$20,000
Total Borrowed Funds	$23,268

10. Income Taxes

The following is a summary of the tax provision:

	2001	2000	1999
Current	**$3,138**	$1,535	$ 849
Deferred	**(842)**	269	611
Net provision for Income Taxes	**$2,296**	$1,804	$1,460

The applicable portion of the current year provision related to the gains on sales of available for sale securities is $94, $27, and $12 in 2001, 2000 and 1999, respectively.

The components of the net deferred tax liability as of December 31, 2001 and 2000 are as follows:

	2001	2000
Deferred tax assets		
Allowance for loan losses	**$1,273**	$1,110
Post-retirement benefits	**118**	92
Intangible	**582**	384
Deferred compensation	**162**	100
Merger costs	**60**	68
Unrealized loss on securities available for sale	**—**	88
Other	**60**	68
	2,255	1,910
Deferred tax liabilities		
Premises and equipment	**354**	393
Vehicle leasing	**3,771**	4,176
Unrealized gain on securities available for sale	**488**	—
Other	**135**	100
	4,748	4,669
Net deferred tax liability	**$2,493**	$2,759

The reconciliation of income tax attributable to continuing operations at the Federal statutory tax rates to income tax expense is as follows:

	2001	**%**	2000	%	1999	%
Tax at statutory rate	**$2,994**	**34.0**	$2,461	34.0	$2,062	34.0
Tax exempt income, net	**(715)**	**(8.1)**	(773)	(10.7)	(749)	(12.3)
Other	**17**	**0.2**	116	1.6	147	2.4
Income tax provision	**$2,296**	**26.1**	$1,804	24.9	$1,460	24.1

11. Stock Incentive Plan

The Corporation has a common stock plan for key employees and independent directors. The Stock Incentive Plan, which is administered by a committee of the Board of Directors, provides for 250,000 shares of common stock in the form of qualified options, nonqualified options, stock appreciation rights or restrictive stock. The plan vesting schedule is one-fourth of granted options per year beginning one year after the grant date with 100% vested on the fourth anniversary.

The Corporation applies Accounting Principles Board Opinion 25 and related interpretations in accounting for its common stock plan. Accordingly, no compensation expense has been recognized for the plans. Had compensation cost for the plans been determined based on the fair values at the grant dates for awards, consistent with the method of SFAS No. 123, net income and earnings per share for 2001, 2000 and 1999 would have been adjusted to the pro forma amounts indicated below:

		2001	2000	1999
Net income	As reported	**$6,510**	$5,433	$4,604
	Pro forma	**$6,471**	$5,414	$4,541
Earnings Per Share-Basic	As reported	**$ 1.78**	$ 1.48	$ 1.26
	Pro forma	**$ 1.77**	$ 1.48	$ 1.24
Earnings Per Share - Diluted	As reported	**$ 1.78**	$ 1.48	$ 1.26
	Pro forma	**$ 1.77**	$ 1.48	$ 1.24

For purposes of the pro forma calculations above, the fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions for grants issued:

	2001	2000	1999
Dividend Yield	**4.9%**	3.1%	3.5%
Volatility	**25.9%**	24.8%	17.3%
Risk-free interest rates	**2.2%**	6.3%	6.0%
Expected option lives	**6.0 years**	5.7 years	6 years

A summary of the status of the common stock plans, adjusted retroactively for the effects of stock splits, is presented below:

	Shares	Weighted - average Exercise Price	Remaining Contractual Life
Outstanding, at January 1, 1999	—	—	
Granted	**18,250**	**$28.25**	**10 years**
Exercised	—	—	
Forfeited	—	—	
Outstanding, at January 1, 2000	**8,250**	**28.25**	**9 years**
Granted	**29,250**	**19.98**	**10 years**
Exercised	—	—	
Forfeited	—	—	
Outstanding, at December 31, 2000	**47,500**	**23.12**	
Granted	**21,500**	**22.50**	**10 years**
Exercised	—	—	
Forfeited	—	—	
Outstanding, at December 31, 2001	**69,000**	**$22.93**	

	2001	2000
Options exercisable	**16,437**	4,562
Fair value of options granted during the year	**$3.22**	$5.14

Options outstanding at year-end 2001 were as follows:

	Outstanding		Exerciseable	
Range of Exercise Prices	Number	Weighted Average Remaining Contractual Life	Number	Weighted Average Exercise Price
$18-$28	**69,000**	**9 years**	**16,437**	**$24.57**

12. Employee Benefit Plans

The Bank provides a defined contribution retirement plan that covers all active officers and employees twenty-one years of age or older, employed by the Bank for one year. Contributions to the plan for 2001, based on current year compensation, are 6 percent of total compensation plus 5.7 percent of the compensation in excess of $85. In 2000 and 1999, contributions to the plan were 9 percent of total compensation plus 5.7 percent of the compensation in excess of $76. The Corporation recognized expense of $308 in 2001, $462 in 2000, and $419 in 1999.

In addition, the Bank sponsors a contributory defined contribution Section 401(k) plan in which substantially all employees participate. The plan permits employees to make pre-tax contributions which are matched by the Bank, in 2001, at 1% for every 1% contributed up to three percent then 0.5% for every 1% contributed up to four percent in total of the employee's compensation. Matching contributions in 2000 and 1999 were 0.25% for every 1% contributed up to 1% of the employee's compensation. The Bank's contributions were $187, $28, and $40 in 2001, 2000, and 1999, respectively.

The Corporation provides certain health care benefits for retired employees and their qualifying dependents. The following table sets forth the change in the benefit obligation and funded status:

December 31	2001	2000	1999
Benefit obligation at beginning of year	**$ 501**	$ 434	$ 463
Interest cost	**37**	32	30
Service cost	**31**	25	25
Actual claim expense	**(22)**	(31)	(26)
Interest on claim expense	**—**	1	—
Actuarial (gain) / loss	**(9)**	40	(58)
Benefit obligation at end of year	**$ 538**	$ 501	$ 434

December 31	2001	2000	1999
Funded status of plan	**$(538)**	$(501)	$(434)
Unrecognized actuarial (gain) / loss	**37**	46	5
Unrecognized prior service cost	**—**	—	—
Unrecognized transition obligation	**88**	95	103
Accrued benefit cost	**$(413)**	$(360)	$(326)

December 31	2001	2000	1999
Net periodic post-retirement benefit cost:			
Service cost	**$ 31**	$ 25	$ 25
Interest cost	**37**	32	30
Amortization of transition obligation over 21 years	**7**	7	8
	$ 75	$ 64	$ 63

The weighted average discount rate used to calculate net periodic benefit cost and the accrued post-retirement liability was 7.50% in 2001 and 2000. The health care cost trend rate used to measure the expected costs of benefits for 2001 is 8.0%, and 7.0% thereafter. A one percent increase in the health care trend rates would result in an increase of $79 in the benefit obligation of December 31, 2001, and would increase the service and interest costs by $13 in future periods. A similar one percent decrease in health care trend rates would result in a decrease of $63 and $10 in the benefit obligation and service and interest costs, respectively, at December 31, 2001. The presentation above for the years 2001, 2000 and 1999 reflects a policy which grants eligibility to these benefits to employees at least 60 years of age with 30 years of service.

13. Related Party Transactions

In the ordinary course of business, the Bank has transactions, including loans, with its officers, directors and their affiliated companies. The aggregate of such loans totaled $7,888 on December 31, 2001 compared to $6,577 at December 31, 2000. During 2001, $15,899 of new loans were made and repayments totaled $14,588.

Deposits from principal officers, directors and their affiliates at year-end 2001 and 2000 were $4,474 and $3,171.

The Bank entered into an operating lease with a director of the Corporation for a one year term which can be renewed for one year. The annual lease payments of $11,400 were determined based on prevailing terms in the market area. All ongoing operating and general maintenance expenses are the responsibility of the director.

14. Regulatory Matters

The Corporation and Bank are subject to minimum capital requirements set by Federal regulatory agencies, namely the Federal Reserve Bank and the Office of the Comptroller of the Currency. Regulators require capital ratios of 4.0% Tier 1 capital to total risk based assets, 8.0% or more of total qualifying capital to total risk weighted assets and total Tier 1 capital to total assets of 4.0% for an institution to be considered adequately capitalized. The Corporation and the Bank are well capitalized under the regulatory framework for prompt corrective action as of the most recent notification of the regulators. There are no conditions or events since that notification that management believes would change the Corporation's status.

The table below summarizes the Corporation and Bank's regulatory capital levels:

	December 31,							
Risk Based Capital	**2001**				2000			
	Regulatory Capital	**Ratio to Risk Assets**	**Minimum Required**	**Well Capitalized**	Regulatory Capital	Ratio to Risk Assets	Minimum Required	Well Capitalized
Tier 1								
CNB Financial Corporation	**$41,508**	**9.90%**	**4.0%**	**6.0%**	$38,176	10.35%	4.0%	6.0%
County National Bank	**38,877**	**9.35%**	**4.0%**	**6.0%**	34,181	9.24%	4.0%	6.0%
Tier 1 + Tier 2 Capital								
CNB Financial Corporation	**45,603**	**10.87%**	**8.0%**	**10.0%**	42,078	11.40%	8.0%	10.0%
County National Bank	**42,972**	**10.33%**	**8.0%**	**10.0%**	38,083	10.30%	8.0%	10.0%
Leverage								
CNB Financial Corporation	**41,508**	**7.16%**	**4.0%**	**5.0%**	38,176	7.10%	4.0%	5.0%
County National Bank	**38,877**	**6.75%**	**4.0%**	**5.0%**	34,181	6.41%	4.0%	5.0%

Failure to maintain the minimum capital level requirements can initiate mandatory and possibly additional discretionary disciplinary actions by regulators. In such an instance, if regulatory action was undertaken, the results could have a direct effect on the Corporation's financial position.

Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Corporation and the Bank must meet specific capital guidelines that involve quantitative measures of the Corporation's and the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Corporation's and the Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Certain restrictions exist regarding the ability of the Bank to transfer funds to the Corporation in the form of cash dividends, loans or advances. Dividends payable by the Bank to the Corporation without prior approval of the Office of the Comptroller of the Currency (OCC) are limited to the Bank's retained net profits for the preceding two calendar years plus retained net profits up to the dividend declaration in the current calendar year. Retained net profits are defined by the OCC as net income, less dividends declared during the periods under regulatory accounting principles. As of December 31, 2001, $5.8 million of undistributed earnings of the Bank was available for distribution to the Corporation as dividends, without prior regulatory approval.

The Bank is also subject to certain restrictions under the Federal Reserve Act which include restrictions on extensions of credit to its affiliates. Of note, the Bank is prohibited from lending monies to the Corporation unless the loans are secured by specific collateral. These secured loans and other regulated transactions made by the Bank are limited in amount to ten percent of the Bank's capital stock and surplus.

15. Financial Instruments with Off-Balance Sheet Risk

In the normal course of business, to meet the financing needs of its customers, the Bank enters into commitments involving financial instruments with off-balance sheet risks. Commitments to extend credit are agreements to lend to a customer at a future date, subject to the meeting of the contractual terms. These commitments generally have fixed expiration dates (less than one year), and require the payment of a fee. The Bank utilizes the same credit policies in making these obligations as it does for on-balance-sheet instruments. The face amount for these items represents the exposure to loss before considering customer collateral or ability to repay. The credit risk involved in issuing these commitments is essentially the same as that involved in extending loan facilities to customers. However, since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent actual future cash requirements of the Bank. As of December 31, 2001, the

Bank had $13.0 million of unused credit card lines; $13.6 million of unfunded home equity lines of credit; $66.7 million in other outstanding loan commitments and $2.1 million in standby letters of credit. The fixed rate portion of total commitments is $10.8 million having interest rates ranging from 4.27% to 12.00%.

16. Mergers and Acquisitions

On August 18, 1999, the Corporation acquired The First National Bank of Spangler ("Spangler") located in Spangler, PA. The merger, which was accounted for as a pooling of interests, was affected by issuing 237,500 shares of CNB Financial Corporation common stock in exchange for 100% of the outstanding shares of Spangler. After consummation of the merger, Spangler was merged into County National Bank. All financial information has been restated to reflect the merger.

On February 12, 1999, the Corporation acquired the Punxsutawney branch from an unaffiliated financial institution. This acquisition included deposits of $36 million, loans of $11 million and certain fixed assets. On September 24, 1999, the Corporation acquired the Johnsonburg, Ridgway, Bradford and Kane branches from an unaffiliated financial institution. This acquisition included deposits of $116.2 million, loans of $21.7 million and certain fixed assets. These acquisitions were accounted for under the purchase method of accounting and the Corporation recorded $14.4 million as intangible assets. The consolidated results include the operations of the acquired branches from the date of acquisition.

17. Fair Value of Financial Instruments

Carrying amount is the estimated fair value for cash and cash equivalents, Federal Home Loan Bank stock, accrued interest receivable and payable, demand deposits, other borrowings, and variable rate loans or deposits that reprice frequently and fully. Security fair values are based on market prices or dealer quotes, and if no such information is available, on the rate and term of the security and information about the issuer. For fixed rate loans or deposits and for variable rate loans or deposits with infrequent repricing or repricing limits, fair value is based on discounted cash flows using current market rates applied to the estimated life and credit risk. Fair values for impaired loans are estimated using discounted cash flow analysis or underlying collateral values. Fair value of loans held for sale is based on market quotes. Fair value of debt is based on current rates for similar financing. The fair value of off-balance-sheet items is based on the current fees or cost that would be charged to enter into or terminate such arrangements. The fair value of off balance sheet items is not materially different from the nominal value.

While these estimates of fair value are based on management's judgment of the most appropriate factors as of the balance sheet date, there is no assurance that the estimated fair values would have been realized if the assets had been disposed of or the liabilities settled at that date, since market values may differ depending on various circumstances. The estimated fair values would also not apply to subsequent dates.

In addition, other assets and liabilities that are not financial instruments, such as premises and equipment, are not included in the above disclosures. Also, non-financial instruments typically not recognized on the balance sheet may have value but are not included in the above disclosures. These include, among other items, the estimated earnings power of core deposits, the earnings potential of trust accounts, the trained workforce, customer goodwill, and similar items.

	December 31, 2001		December 31, 2000	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
ASSETS				
Cash and short-term assets	**$19,391**	**$19,391**	$17,973	$17,973
Securities	**152,757**	**152,757**	136,250	136,250
Net loans	**362,110**	**374,471**	332,034	353,975
FHLB and Federal Reserve stock	**1,932**	**1,932**	3,025	3,025
Accrued interest receivable	**3,569**	**3,569**	4,079	4,079
LIABILITIES				
Deposits	**(506,640)**	**(510,695)**	(485,217)	(490,682)
Other borrowings	**(23,268)**	**(23,268)**	(13,341)	(13,341)
Accrued interest payable	**(1,679)**	**(1,679)**	(1,945)	(1,945)

18. Parent Company Only Financial Information

CONDENSED BALANCE SHEETS

	December 31, 2001	2000
ASSETS		
Cash	**$ 72**	$ 88
Investment in bank subsidiary	**52,268**	48,532
Investment in non-bank subsidiaries	**3,236**	2,697
Other assets	**896**	911
TOTAL ASSETS	**$56,472**	$52,228
LIABILITIES		
Income taxes payable	**$ (21)**	$ (12)
Deferred tax liability	**(3)**	(1)
Other liabilities	**1,602**	1,038
TOTAL LIABILITIES	**1,578**	1,025
TOTAL SHAREHOLDERS' EQUITY	**54,894**	51,203
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$56,472**	$52,228

CONDENSED STATEMENTS OF INCOME

	Year ended December 31, 2001	2000	1999
INCOME			
Dividends from:			
Bank subsidiary	**$3,555**	$2,309	$2,544
Non bank subsidiaries	**—**	770	750
Securities available for sale	**—**	—	35
Other	**116**	131	62
TOTAL INCOME	**3,671**	3,210	3,391
EXPENSES	**(190)**	(187)	(220)
INCOME BEFORE INCOME TAXES AND EQUITY IN DISTRIBUTED NET INCOME OF SUBSIDIARY	**3,481**	3,023	3,171
Applicable income tax (obligation) benefit	**22**	19	50
Equity in undistributed net income of bank subsidiary	**2,751**	3,006	1,919
(Distributions in excess of) / equity in undistributed net income of non-bank subsidiaries	**256**	(615)	(536)
NET INCOME	**$6,510**	$5,433	$4,604

CONDENSED STATEMENTS OF CASH FLOWS

	Year ended December 31, 2001	2000	1999
Cash flows from operating activities:			
Net income	**$6,510**	$5,433	$4,604
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed net income of bank subsidiary	**(2,751)**	(3,006)	(1,919)
Equity in undistributed net income of non-bank subsidiaries	**(256)**	615	536
(Increase) Decrease in other assets	**15**	15	(919)
Increase (Decrease) in other liabilities	**553**	11	957
Net cash provided by operating activities	**4,071**	3,068	3,259
Cash flows from investing activities:			
Capital transfer to subsidiary	**(144)**	—	—
Purchase of securities available for sale	**—**	—	(119)
Net cash used in investing activities	**(144)**	—	(119)
Cash flows from financing activities:			
Dividends paid	**(3,410)**	(3,080)	(2,897)
Net treasury stock activity	**(533)**	48	(579)
Net cash used in financing activities	**(3,943)**	(3,032)	(3,476)
Net increase (decrease) in cash	**(16)**	36	(336)
Cash beginning of year	**88**	52	388
Cash end of year	**$ 72**	$ 88	$ 52

19. Other comprehensive Income (Loss)

Other comprehensive income (loss) components and related taxes were as follows:

	2001	2000	1999
Unrealized holding gains and losses on available for sale securities	**$1,979**	$1,825	$(4,295)
Cumulative effect of securities transferred	**—**	7	—
Less reclassification adjustments for gains and losses later recognized in income	**276**	76	36
Net unrealized gains and losses	**1,703**	1,756	(4,331)
Tax effect	**579**	597	(1,472)
Other comprehensive income (loss)	**$1,124**	$1,159	$ 2,859

20. Quarterly Financial Data (Unaudited)

The unaudited quarterly results of operations for the years ended December 2001 and 2000 are as follows (in thousands, except per share data):

	Quarters Ended							
	2001				2000			
	March 31	**June 30**	**Sept. 30**	**Dec. 31**	March 31	June 30	Sept. 30	Dec. 31
Total interest income	**$10,339**	**$10,304**	**$10,220**	**$9,946**	$9,916	$10,171	$10,271	$10,288
Net interest income	**5,195**	**5,323**	**5,445**	**5,699**	5,234	5,248	5,153	5,177
Provision for loan losses	**270**	**270**	**270**	**270**	180	207	210	210
Non-interest income	**1,157**	**1,219**	**1,676**	**1,546**	965	1,154	1,124	1,238
Non-interest expense	**4,270**	**4,302**	**4,489**	**4,313**	4,332	4,335	4,224	4,358
Net income	**1,382**	**1,503**	**1,735**	**1,890**	1,247	1,393	1,393	1,400
Net income per share, basic	**0.38**	**0.41**	**0.47**	**0.52**	0.34	0.38	0.38	0.38
Net income per share, diluted	**0.38**	**0.41**	**0.47**	**0.52**	0.34	0.38	0.38	0.38

Report of Independent Auditors

Board of Directors and Shareholders
CNB Financial Corporation
Clearfield, PA

We have audited the accompanying consolidated statement of condition of CNB Financial Corporation as of December 31, 2001 and 2000 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The 1999 financial statements were audited by other auditors, whose report dated February 15, 2000 expressed an unqualified opinion on those statements.

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. An audit also includes 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 CNB Financial Corporation as of December 31, 2001 and 2000, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Crowe Chizek and Company LLP

Crowe, Chizek and Company LLP

Cleveland, Ohio
February 7, 2002

Quarterly Share Data

The following table sets forth, for the periods indicated, the quarterly high and low bid price of stock as reported through the National Quotation Bureau and actual cash dividends paid per share. The stock is traded on the NASDAQ Stock Market under the symbol, CCNE. As of December 31, 2001, the approximate number of shareholders of record of the Corporation's common stock was 1,800.

Price Range of Common Stock

	2001		2000	
	High	**Low**	High	Low
First Quarter	**$18.50**	**$14.75**	$25.00	$18.75
Second Quarter ..	**21.00**	**16.25**	21.00	16.25
Third Quarter......	**20.00**	**17.50**	20.00	16.50
Fourth Quarter ...	**23.50**	**18.50**	16.75	14.50

Cash Dividends Paid

	2001	2000
First Quarter	**$0.23**	$0.21
Second Quarter	**0.23**	0.21
Third Quarter	**0.23**	0.21
Fourth Quarter	**0.24**	0.21
	$0.93	$0.84

Trust and Asset Management Division
Funds under Management (Market Value)

($'s in thousands)	**2001**	2000
Personal Trusts, Estates and Agency Accounts............................	**$194,884**	$183,860
Corporate Accounts	**11,747**	10,612
Total...	**$206,631**	$194,472

Selected Financial Data

(dollars in thousands, except per share data)	Year Ended December 31 2001
Interest Income	
Loans including fees	$ 31,323
Deposits with banks	169
Federal funds sold	434
Investment securities:	
U.S. treasury securities	1,113
Securities of U.S. government agencies and corporations	2,862
Obligations of states and political subdivisions	1,526
Other securities	3,382
Total interest and dividend income	40,809
Interest expense	
Deposits	17,971
Other borrowings	1,176
Total interest expense	19,147
Net interest income	21,662
Provision for loan losses	1,080
Net interest income after provision for loan losses	20,582
Non-interest income	5,598
Non-interest expenses	17,374
Income before taxes	8,806
Applicable income taxes	2,296
Net income	$ 6,510
Per share data	
Basic	$ 1.78
Fully diluted	$ 1.78
Dividends declared	$ 0.93
Book value per share at year end	$ 15.08
At end of period	
Total assets	$592,794
Securities	152,757
Loans, net of unearned discount	386,173
Allowance for loan losses	4,095
Deposits	506,640
Shareholders' equity	54,894
Key ratios	
Return on average assets	1.11%
Return on average equity	12.15%
Loan to deposit ratio	75.41%
Dividend payout ratio	52.38%
Average equity to average assets ratio	9.17%

Five Year Comparison

2000	1999	1998	1997
$ 32,075	$ 27,990	$ 25,166	$ 23,209
137	60	12	1
67	386	369	271
1,378	989	1,134	1,366
2,706	2,383	2,503	1,663
1,813	1,888	1,414	1,307
2,470	1,557	694	634
40,646	35,253	31,292	28,451
18,660	15,579	13,714	12,459
1,174	981	934	430
19,834	16,560	14,648	12,889
20,812	18,693	16,644	15,562
807	643	707	931
20,005	18,050	15,937	14,631
4,481	3,675	3,172	2,749
17,249	15,661	12,231	11,037
7,237	6,064	6,878	6,343
1,804	1,460	1,835	1,648
$ 5,433	$ 4,604	$ 5,043	$ 4,695
$ 1.48	$ 1.26	$ 1.37	$ 1.27
$ 1.48	$ 1.25	$ 1.37	$ 1.27
$ 0.84	$ 0.80	$ 0.72	$ 0.68
$ 13.96	$ 13.00	$ 13.41	$ 12.65
$555,365	$561,162	$468,917	$403,779
136,250	143,563	113,675	83,571
366,156	362,764	311,141	286,113
3,879	3,890	3,314	3,062
485,217	500,751	398,082	345,760
51,203	47,643	49,372	46,606
0.97%	0.91%	1.18%	1.23%
10.80%	9.50%	10.43%	10.44%
74.66%	71.67%	76.94%	81.86%
56.69%	62.92%	51.32%	51.76%
9.01%	9.59%	11.31%	11.81%

GENERAL

The following discussion and analysis of the consolidated financial statements of CNB Financial Corporation (the "Corporation") is presented to provide insight into management's assessment of financial results. The Corporation's subsidiary County National Bank (the "Bank") provides financial services to individuals and businesses within the Bank's market area made up of the west central Pennsylvania counties of Cambria, Clearfield, Centre, Elk, Jefferson and McKean. County National Bank is a member of the Federal Reserve System and subject to regulation, supervision and examination by the Office of the Comptroller of the Currency ("OCC"). The financial condition and results of operations are not intended to be indicative of future performance. The Corporation's subsidiary, CNB Investment Corporation, is incorporated in Wilmington, DE. CNB Investment Corporation maintains investments in debt and equity securities. County Reinsurance Company, a subsidiary, is a Corporation of Arizona. County Reinsurance Company provides credit life and disability for customers of County National Bank. Management's discussion and analysis should be read in conjunction with the audited consolidated financial statements and related notes.

Risk identification and management are essential elements for the successful management of the Corporation. In the normal course of business, the Corporation is subject to various types of risk, including interest rate, credit, and liquidity risk. These risks are controlled through policies and procedures established throughout the Corporation.

Interest rate risk is the sensitivity of net interest income and the market value of financial instruments to the direction and frequency of changes in interest rates. Interest rate risk results from various repricing frequencies and the maturity structure of the financial instruments owned by the Corporation. The Corporation uses its asset / liability management policy to control and manage interest rate risk.

Credit risk represents the possibility that a customer may not perform in accordance to contractual terms. Credit risk results from loans with customers and purchasing of securities. The Corporation's primary credit risk is in the loan portfolio. The Corporation manages credit risk by following an established credit policy and through a disciplined evaluation of the adequacy of the allowance for loan losses. Also, the investment policy limits the amount of credit risk that may be taken in the investment portfolio.

Liquidity risk represents the inability to generate or otherwise obtain funds at reasonable rates to satisfy commitments to borrowers and obligations to depositors. The Corporation has established guidelines within its asset liability management policy to manage liquidity risk. These guidelines include contingent funding alternatives.

MERGER AND ACQUISITIONS

On February 12, 1999 the Bank acquired a full-service banking office and the corresponding liabilities ($36 million) and certain assets ($11 million) of the office from an unaffiliated institution. The office is located in west central Pennsylvania in the community of Punxsutawney. The office will continue to operate as a branch of the Bank. This acquisition has been accounted for as a purchase.

On September 24, 1999, the Bank acquired four full service offices in north central PA from an unaffiliated institution. The offices are located in the communities of Johnsonburg and Ridgway in Elk County and Bradford and Kane in McKean County. The purchase included $21.7 million in loans, $116.2 million in deposits and certain fixed assets associated with the offices. All locations continue to operate as full service branches of the Bank. This purchase and the previously discussed purchase of the Punxsutawney office are referred to hereafter as "the Acquisitions".

On August 18, 1999, the Corporation acquired The First National Bank of Spangler ("Spangler") located in Northern Cambria, PA. The merger, which was accounted for as a pooling of interests, was affected by issuing 237,500 shares of CNB Financial Corporation common stock in exchange for 100% of the outstanding shares of Spangler. After consummation of the merger, Spangler was merged into County National Bank. The merger included $23.0 million in loans, $29.0 million in deposits, $4.6 million in capital and other assets and liabilities. All historical financial information has been restated to reflect the merger.

FINANCIAL CONDITION

The following table presents ending balances ($'s in millions), growth (reduction) and the percentage change during the past two years:

	2001 Balance	Increase (Decrease)	% Change	2000 Balance	Increase (Decrease)	% Change	1999 Balance
Total assets	$592.8	$37.4	6.7	$555.4	$ (5.9)	(1.0)	$561.2
Total loans, net	382.1	19.8	5.5	362.3	3.4	0.9	358.9
Total securities	152.8	16.5	12.1	136.3	(4.4)	(3.1)	140.7
Total deposits	506.6	21.4	4.4	485.2	(15.6)	(3.1)	500.8
Total shareholders' equity	54.9	3.7	7.2	51.2	3.6	7.4	47.6

The above table is referenced for the discussion in this section of the report.

OVERVIEW OF BALANCE SHEET

The increase in assets during 2001 was attributed to a Corporate wide focus on retail checking accounts. In addition to retail checking accounts, we have continued to improve and enhance our commercial relationships. The specific effects to each area are described in the following sections.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents totaled $19,391,000 at December 31, 2001 compared to $17,973,000 on December 31, 2000. The fluctuation is not significant as this section of the balance sheet has been in this range most of the year.

We believe the liquidity needs of the Corporation are satisfied by the current balance of cash and cash equivalents, readily available access to traditional funding sources, Federal Home Loan Bank financing, and the portion of the securities and loan portfolios that matures within one year. These sources of funds will enable the Corporation to meet cash obligations and off-balance sheet commitments as they come due.

SECURITIES

Securities increased 12.1% since December 31, 2000. A large part of the increase resulted from purchasing $10 million of corporate notes using borrowings from the Federal Home Loan Bank of Pittsburgh. Both the borrowing and the notes were of similar maturities. Also, adding to the increase was a change in the fair market valuation of the bond portfolio. In a declining interest rate environment, bond prices generally increase. This increase gave the Corporation an increase in unrealized gain of $1,710,000. The Corporation generally buys into the market over time and does not attempt to "time" its transactions. In doing this the highs and lows of the market are averaged into the portfolio and minimizes the overall effect of different rate environments.

A shift in the portfolio occurred during 2001 with the investment mix shifting from US treasury and municipal securities to agency CMOs and corporate notes. The Corporation invested in longer bonds with current payments as deposit growth continued to be strong throughout much of the year.

We monitor the earnings performance and the effectiveness of the liquidity of the investment portfolio on a regular basis through Asset / Liability Committee ("ALCO") meetings. The ALCO also reviews and manages interest rate risk for the Corporation. Through active balance sheet management and analysis of the investment securities portfolio, we maintain a sufficient level of liquidity to satisfy depositor requirements and various credit needs of our customers.

LOANS

The Corporation's loan volume was strong during the last six months of 2001. Our lending is focused in the west central Pennsylvania market and consists principally of retail lending, which includes single family residential mortgages and other consumer lending, and also commercial lending primarily to locally owned small businesses. We expect loan demand to remain steady over the next several quarters in these and other market areas of the Bank.

Contributing to the growth in loans was an increase of $19.5 million in commercial loans. These loans are not concentrated in one area nor were they in a single industry. The Corporation also experienced a 23.8% growth in commercial mortgages as we continue to expand our presence within the market area.

LOAN CONCENTRATION

The Corporation monitors loan concentrations by individual industries in order to track potential risk exposures resulting from industry related downturns. At December 31, 2001, no concentration exists within our commercial or real estate loan portfolio as related to concentration of 10% of the total loans. Residential real estate lending continues to be the largest component of the loan portfolio.

LOAN QUALITY

The Corporation has established written lending policies and procedures that require underwriting standards, loan documentation, and credit analysis standards to be met prior to funding a loan. Subsequent to the funding of a loan, ongoing review of credits is required. Credit reviews are performed annually on a minimum of 60% of the commercial loan portfolio by an outsourced loan review partner. See "Allowance for Loan and Lease Losses" for further discussion of credit review procedures.

The following table sets forth information concerning loan delinquency and other non-performing assets ($ in thousands):

at December 31,	**2001**	2000	1999
Nonperforming assets:			
Non-accrual loans	**$1,174**	$ 652	$ 862
Accrual loans greater than 89 days past due	**432**	1,136	886
Foreclosed assets held for sale	**361**	783	394
Total nonperforming assets	**$1,967**	$ 2,571	$ 2,142
Total loans, net of unearned income	**$386,173**	$366,156	$362,764
Nonperforming loans as a percent of loans, net	**0.42%**	0.49%	0.48%

ALLOWANCE FOR LOAN AND LEASE LOSSES

The allowance for loan and lease losses is established by provisions for possible losses in the loan and lease portfolio. These provisions are charged against current income. Loans deemed not collectible are charged-off against the allowance while any subsequent collections are recorded as recoveries and increase the allowance.

The table below shows activity within the allowance account over the past three years:

Allowance for Loan and Lease Losses
($'s in thousands)

	Years Ended December 31,		
	2001	2000	1999
Balance at beginning of Period	**$ 3,879**	$ 3,890	$ 3,314
Charge-offs:			
Commercial and financial	**38**	144	59
Commercial mortgages	**162**	3	30
Residential mortgages	**87**	12	54
Installment	**494**	413	380
Lease receivables	**234**	395	93
	1,015	967	616
Recoveries:			
Commercial and financial	**1**	17	79
Commercial mortgages	**4**	3	1
Residential mortgages	**8**	—	4
Installment	**83**	95	103
Lease receivables	**55**	34	6
	151	149	193
Net charge-offs:	**(864)**	(818)	(423)
Provision for possible loan losses	**1,080**	807	999
Balance at end-of-period	**$ 4,095**	$ 3,879	$ 3,890
Loans, net of unearned	**$386,173**	$366,156	$362,764
Allowance to net loans	**1.06%**	1.06%	1.07%
Specific allocation	**0.73%**	0.60%	0.58%
Unallocated	**0.33%**	0.46%	0.49%

The adequacy of the allowance for loan and lease losses is subject to a formal analysis by the credit administrator of the Bank. As part of the formal analysis, delinquencies and losses are monitored monthly. The loan portfolio is divided into several categories in order to better analyze the entire pool. First is a selection of "watch" loans that is given a specific reserve. The remaining loans are pooled, by category, into these segments:

Reviewed
- Commercial and financial
- Commercial mortgages

Homogeneous
- Residential real estate
- Installment
- Lease receivables

The reviewed loan pools are further segregated into three categories: substandard, doubtful, and unclassified. Historical loss factors are calculated for each pool based on the previous eight quarters of experience. The homogeneous pools are evaluated by analyzing the historical loss factors from the most previous quarter end and the two most recent year ends. The historical loss factors for both the reviewed and homogeneous pools are adjusted based on these six qualitative factors:
- Levels of and trends in delinquencies and non-accruals
- Trends in volume and terms of loans
- Effects of any changes in lending policies and procedures
- Experience, ability and depth of management
- National and local economic trends and conditions
- Concentrations of credit

The methodology described above was created using the experience of our credit administrator, guidance from the regulatory agencies, expertise of our loan review partner, and discussions with our peers. The resulting factors are applied to the pool balances in order to estimate the inherent risk of loss within each pool. The results of these procedures are listed in the following chart:

Allocation of the Allowance for Loan and Lease Losses

Balance at end of period	**2001**	2000
Commercial and financial	**$1,066**	$ 706
Commercial mortgages	**466**	303
Residential mortgages	**560**	508
Installment	**519**	473
Lease receivables	**212**	221
Unallocated	**1,272**	1,668
Total	**$4,095**	$3,879

The results for the previous two years indicate higher allocations required for specific pools. This result is based on two main factors. First, the growth of our portfolio requires larger dollars to cover similar credit risks. Secondly, economic factors both in our market area and nationwide have lead to trends of increased charge-offs in recent years. The Bank did experience an increase in net charge-offs for 2001 when compared to 2000 and 1999. The unallocated allowance is determined based on management's knowledge of the portfolio, recent trends within the industry, historical trends reviewed monthly, and the local economy. Also, management utilizes peer group data surveying a group of similarly sized organizations which develop current information for comparative purposes.

Most significantly consumer charge-offs remain high as the national trend is towards higher delinquencies and more personal bankruptcies. We are experiencing an increase in charge-offs in the lease area as this portfolio ages. The allowance for loan and lease losses is deemed to be adequate to absorb probable losses in the portfolio at December 31, 2001.

FUNDING SOURCES

The Corporation considers deposits, short-term borrowings, and term debt when evaluating funding sources. Traditional deposits continue to be the most significant source of funds. In addition, term borrowings from FHLB are used to meet funding needs not met by deposit growth. Management plans to maintain access to short-term and long-term FHLB borrowings as an additional funding source.

The Corporation experienced an increase of 4.4% in deposits during 2001. Per the table below, growth was in the low cost deposit categories. These are the types focused on during 2001 in various promotions. The following table reflects the Corporation's deposits by category (in thousands):

	2001	2000	1999
Checking, Non-Interest Bearing	**$ 60,241**	$ 52,757	$ 54,891
Checking, Interest Bearing	**132,177**	116,730	121,614
Savings Accounts	**79,301**	72,940	73,006
Certificates of Deposit	**234,921**	242,790	251,240
	$506,640	$485,217	$500,751

SHAREHOLDERS' EQUITY

The Corporation's capital provided the strong base for our profitable growth. Total shareholders' equity increased 7.2% in 2001. The increase was the result of an increase of $1,124,000 in accumulated other comprehensive income which represents an increase in unrealized gain in available-for-sale securities, net of taxes. The remainder of the growth is a result of earnings net of dividends.

With 100% of the securities classified as available-for-sale, this portion of the balance sheet is more sensitive to the change in market value of securities. In 2001, interest rates declined resulting in increased valuations in the available-for-sale category of securities. The status of the investment markets do not affect the Corporation's equity position for regulatory capital standards as discussed below.

The Corporation has complied with the standards of capital adequacy mandated by the banking industry. Bank regulators have established "risk-based" capital requirements designed to measure capital adequacy. Risk-based capital ratios reflect the relative risks of various assets banks hold in their portfolios. A weight category of either 0% (lowest risk assets), 20%, 50%, or 100% (highest risk assets), is assigned to each asset on the balance sheet. The total risk-based capital ratio of 10.87% as of December 31, 2001 is well above the minimum standard of 8%. The Tier 1 capital ratio of 9.90% also is above the regulatory minimum of 4%. The leverage ratio, 7.16%, was also above the minimum standard of 4%. The Corporation is deemed to be well capitalized under regulatory industry standards as the noted ratios are above the regulatory requirements of 10%, 6% and 5%, respectively. The ratios provide quantitative data demonstrating the strength and future opportunities for use of the Corporation's capital base. An evaluation of risk-based capital ratios and the capital position of the Corporation is a part of its strategic decision making process.

LIQUIDITY

Liquidity measures an organizations' ability to meet cash obligations as they come due. The Consolidated Statements of Cash Flows presented on page 7 of the accompanying financial statements provide analysis of the Corporation's cash and cash equivalents and the sources and uses of liquidity. Additionally, the portion of the loan portfolio that matures within one year and maturities within one year in the investment portfolio are considered part of the liquid assets. Liquidity is monitored by the ALCO which establishes and monitors ranges of acceptable liquidity. Also, the Bank is a member of FHLB. This relationship provides the Bank with a borrowing line of $183 million with only $22 million outstanding at year end 2001. Management feels the Corporation's current liquidity position is acceptable.

YEAR ENDED DECEMBER 31, 2001

OVERVIEW OF THE INCOME STATEMENT

In 2001, net income was $6,510,000 an increase of 19.8% compared to 2000 net income of $5,433,000. The increase is a combination of increased net interest income and non-interest income with virtually no change in non-interest expense.

Net income prior to merger and acquisition costs and amortization of intangible assets and goodwill for 2001 was $7.6 million compared to $6.7 million for 2000. The increase indicates an improvement in 2001 of 14.6% over 2000. The major reason for the increase is the net interest income which increased $850,000 or 4.1% over 2000. Also the net interest margin was unchanged in 2001 on growth of average earning assets of $21.1 million to $537,523,000, an increase of 4.1%.

INTEREST INCOME AND EXPENSE

Net interest income totaled $21,662,000 for 2001, an increase of 4.1% over 2000. Continued growth in loans along with reduced funding costs has been the primary factor in this increase. This was also aided by the large growth of investments during 2001. Total interest income for 2001 increased by $163,000 or 0.4% while interest expense decreased by $687,000 or 3.5% when compared to 2000. The Corporation has placed an emphasis on increasing lower cost transactional deposit accounts. The cost of funds declined 30 basis points from 4.40% in 2000 to 4.10% in 2001.

The Corporation recorded a provision for loan and lease losses of $1,080,000 for 2001 compared to $807,000 for 2000. The increase in provision is a result of a higher level of net charge-offs during 2001 coupled with the other factors discussed previously in the loan section of this discussion.

NON-INTEREST INCOME

Non-interest income increased $1,117,000 or 24.9% in 2001 compared to 2000. The service charges on deposit accounts is the main source of the increase. The change in service charge income for 2001 was an increase of $621,000 or 27.2% over 2000. The overall growth in deposit customers accounts for the growth in this area. Also, trust income is up $91,000 or 9.8% over 2000 mainly due to growth in trust assets of $12,159,000 or 6.3%.

The Corporation owns equity securities of various entities that are carried at their current fair market value. During 2001, the gains realized from the sale of securities totalled $276,000 compared to $79,000 in 2000. It is intended that sales will be realized on this portfolio from time to time during the year as each investment and the Corporation's liquidity position is analyzed.

NON-INTEREST EXPENSE

The costs associated with operating the Corporation rose by 0.7% to $17,374,000 during 2001 compared to 2000. These costs include but are not limited to salaries, supplies, data processing expenses, insurance, occupancy, and amortization expenses. The Corporation focused on non-interest expenses throughout much of 2000 and 2001 to maximize efficiencies through growth and automation. The minimal increase is due to process efficiencies that were implemented in the fourth quarter of 2000.

YEAR ENDED DECEMBER 31, 2000

OVERVIEW OF THE INCOME STATEMENT

In 2000, net income was $5,433,000 an increase of 18.0% compared to 1999 net income of $4,604,000. The increase in earnings is the result of enhanced net interest income from the utilization of increased earning assets and improved non-interest income.

Net income prior to merger and acquisition costs and amortization of intangible assets and goodwill for 2000 was $6.7 million compared to $5.7 million for 1999. This measure is a reflection of the operating earnings of the Corporation comparative for two years. The increase indicates an improvement in 2000 of 16.8% over 1999. The major reason for the increase is the net interest income which increased $2.1 million or 11% over 1999. While the net interest margin did decline slightly in 2000, the growth of average earning assets more than compensated.

INTEREST INCOME AND EXPENSE

Net interest income totaled $20,812,000 for 2000, an increase of 11.3% over 1999. Continued growth in average earning assets has been the primary factor in this increase which has been mitigated somewhat by lower yields on the new loans written due to increased competition and the interest rate environment during much of the last several years. Total interest income for 2000 increased by $5,393,000 or 15.3% while interest expense increased by $3,274,000 or 19.8% when compared to 1999. The Corporation's net interest margin in 2000 was 4.21%, down 3 basis points from 4.24% in 1999.

The Corporation recorded a provision for loan and lease losses of $807,000 for 2000 compared to $643,000 for 1999. The increase in provision is a result of higher net charge-offs during 2000 mitigated somewhat by the other factors discussed previously in the loan section of this discussion.

NON-INTEREST INCOME

Non-interest income increased $806,000 or 21.9% in 2000 compared to 1999. The service charges on deposit accounts is the main source of the increase. The change for 2000 was an increase of $576,000 or 33.8%. The overall growth in deposit customers accounts for most of the growth in this area. In addition, the Corporation's trust department fees increased $127,000 or 15.9% over 1999.

The Corporation owns equity securities of various entities that are carried at their current fair market value. During 2000, the gains (losses) realized from these securities totalled $100,000 compared to $(25,000) in 1999. It is intended that sales will be realized on this portfolio from time to time during the year as each investment and the Corporation's liquidity position is analyzed.

NON-INTEREST EXPENSE

The costs associated with operating the Corporation rose by 10.1% to $17,249,000 during 2000 compared to 1999. These costs include but are not limited to salaries, supplies, data processing expenses, insurance, occupancy, and amortization expenses. The primary factors in this increase is amortization expense up $780,000 or 72.8% over 1999. Amortization expense increased due to the Acquisitions that were previously discussed. These Acquisitions, accounted for using the purchase method, increased our intangible assets by $14,382,000 in 1999. These intangibles will be written off over a 10 year period beginning with the date of each purchase.

The Bank signed an agreement to build a drive-up facility on to the existing office in Kane. The estimated total cost of this project is $250,000. The project is expected to be completed in mid summer 2001 with little ongoing effect to the annual operating expenses.

RETURN ON EQUITY

The return on average shareholder's equity ("ROE") for 2001 was 12.15% compared to 10.80% and 9.50% for 2000 and 1999 respectively. The increase in 2001 can be attributed primarily to the Corporation's efforts to become more efficient and profitable after the growth in 1999. The ROE exclusive of the amortization expense for recorded intangible assets was 14.39% compared to 13.23% in 2000. Management anticipates increases in the ROE during 2002 as earnings are expected to continue improving.

RETURN ON ASSETS

The Corporation's return on average assets ("ROA") was 1.11% in 2001 up from 0.97% in 2000 and 0.91% recorded in 1999. Increased ROA can be attributed to growing net interest income as well as increased non-interest income.

FEDERAL INCOME TAX EXPENSE

Federal income taxes increased to $2,296,000 in 2001 compared to $1,804,000 in 2000. This increase year to date can be attributed to the Corporation's higher taxable income during the period. The effective tax rates were 26.1%, 24.9% and 24.1% for 2001, 2000 and 1999, respectively. We anticipate the effective tax rate to maintain these levels as our tax exempt income remains stable.

MARKET RISK MANAGEMENT

Market risk is the risk of loss arising from adverse changes in the fair value of financial instruments due to changes in interest rates, exchange rates, and equity prices. As a financial institution, the Corporation is primarily sensitive to the interest rate risk component. Changes in interest rates will affect the levels of income and expense recorded on a large portion of the Bank's assets and liabilities. Additionally, such fluctuations in interest rates will impact the market value of all interest sensitive assets. The Asset / Liability Committee (ALCO) is responsible for reviewing the interest rate sensitivity position and establishing policies to control exposure to interest rate fluctuations. The primary goal established by this policy is to increase total income within acceptable risk limits.

The Corporation monitors interest rate risk through the use of two models: earnings simulation and static gap. Each model standing alone has limitations, however taken together they represent a reasonable view of the Corporation's interest rate risk position.

STATIC GAP: Gap analysis is intended to provide an approximation of projected repricing of assets and liabilities at a point in time on the basis of stated maturities, prepayments, and scheduled interest rate adjustments within selected time intervals. A gap is defined as the difference between the principal amount of assets and liabilities which reprice within those time intervals. The cumulative one year gap at December 31, 2001 was -19.28% of total earning assets compared to policy guidelines of plus or minus 15.0%. The ratio was -4.48% at December 31, 2000.

Fixed rate securities, loans and CDs are included in the gap repricing based on time remaining until maturity. Mortgage prepayments are included in the time frame in which they are expected to be received. Non maturity deposits are assigned time frames using a decay factor determined by historical analysis within the Corporation.

Certain shortcomings are inherent in the method of analysis presented in Static Gap. For example, although certain assets and liabilities may have similar maturities or periods to repricing, they may not react correspondingly to changes in market interest rates. Also, the interest rates on certain types of assets and liabilities may fluctuate with changes in market interest rates, while interest rates on other types of assets may lag behind changes in market rates. Additionally, certain assets, such as adjustable-rate loans, have features, like annual and lifetime rate caps, which restrict changes in interest rates both on a short-term basis and over the life of the asset. Further, in the event of a change in interest rates, prepayment and early withdrawal levels would likely deviate from those assumed in the table. Finally, the ability of certain borrowers to make scheduled payments on their adjustable-rate loans may decrease in the event of an interest rate increase.

EARNINGS SIMULATION: This model forecasts the projected change in net income resulting from an increase or decrease in the level of interest rates. The model assumes a one time shock of plus or minus 200 basis points or 2%.

The model makes various assumptions about cash flows and reinvestments of these cash flows in the different rate environments. Generally, repayments, maturities and calls are assumed to be reinvested in like instruments and no significant change in the balance sheet mix is assumed. Actual results could differ significantly from these estimates which would produce significant differences in the calculated projected change in income. The limits stated above do not necessarily represent measures that would be taken by management in order to stabilize income results. The instruments on the balance sheet do react at different speeds to various changes in interest rates as discussed under Static Gap. In addition, there are strategies available to management that minimize the decline in income caused by a rapid rise in interest rates.

The following table below summarizes the information from the interest rate risk measures reflecting rate sensitive assets to rate sensitive liabilities at December 31, 2001 and 2000:

	2001	2000
Static 1-Yr. Cumulative Gap	**(19.28%)**	(4.48%)
Earnings Simulation		
- 200 bps vs. Stable Rate	**10.62%**	13.42%
+200 bps vs. Stable Rate	**(16.05%)**	(16.00%)

The interest rate sensitivity position at December 31, 2001 was liability sensitive in the short-term and asset sensitive for periods longer than one year. Management measures the potential impact of significant changes in interest rates on both earnings and equity. By the use of computer generated models, the potential impact of these changes has been determined to be acceptable with modest affects on net income and equity given an interest rate shock of an increase or decrease in rates of 2.0%. We continue to monitor the interest rate sensitivity through the ALCO and use the data to make strategic decisions.

FUTURE OUTLOOK

Management's focus for 2002 is to continue to increase our retail business. This will enable us to better control our cost of funds and create higher returns for our shareholders through increased profitability. Our strategy began in the first quarter of 2001 by aggressively seeking new checking customers. We will continue a similar direct marketing approach throughout 2002. Other strategies will be implemented throughout the year to encourage consumer loan growth. Management continues to be encouraged by the growth in markets served by the Bank. In addition to deposits, the traditional funding source for the Corporation, we will continue to manage potential earning enhancement opportunities using other borrowings with the Federal Home Loan Bank of Pittsburgh. There are certain interest rate environments that allow for pricing opportunities from such borrowings. These opportunities will be evaluated and used when possible to enhance earnings throughout 2002.

Loan growth was good during the last six months of 2001. A concerted effort to sure up our pricing based on risk has resulted in increased loan yields compared to the overall decline in market interest rates. Management believes that the rate of loan growth will be moderate in 2002 and expects the loan to deposit ratio to remain constant throughout 2002.

Enhancing non-interest income and controlling non-interest expense are important factors in the success of the Corporation and is measured in the financial services industry by the efficiency ratio, calculated according to the following: non-interest expense (less amortization of intangibles) as a percentage of fully taxable net interest income and non-interest income (net of provision for ALLL and non-recurring income). For the year December 31, 2001, the efficiency ratio was 54.6% compared to 57.2% for 2000 and 58.4% for 1999.

The efficiency ratio was positively impacted by increased non-interest income resulting from more customers. Management will continue its emphasis on this area during 2002 with a goal of improved efficiency along with improved non-interest income.

The interest rate environment will continue to play an important role in the future earnings of the Corporation. The net interest margin in 2001 held steady compared to 2000 even with the dramatic drop in interest rates. However, overall net interest income continues to increase due to growth in interest earning assets. Management will closely monitor the net interest margin in 2002 as much of the earnings of the Corporation are derived from interest.

Management concentrates on return on average equity and earnings per share evaluations, plus other methods, to measure and direct the performance of the Corporation. While past results are not an indication of future earnings, we feel the Corporation is positioned to enhance performance of normal operations through 2002.

"SAFE HARBOR" STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

The statements above which are not historical fact are forward looking statements that involve risks and uncertainties, including, but not limited to, the interest rate environment, the effect of federal and state banking and tax regulations, the effect of economic conditions, the impact of competitive products and pricing, and other risks detailed in the Corporation's Securities and Exchange Commission filings.

Board of Directors

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Chairman of the Board
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Vice President, E. M. Brown, Inc. (Coal Producer)

William F. Falger
President and Chief Executive Officer, CNB Financial Corporation;
President and Chief Executive Officer, County National Bank

William A. Franson
Secretary, CNB Financial Corporation;
Executive Vice President & Cashier, Chief Operating Officer, County National Bank

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Jeffrey S. Powell
President, J.J. Powell, Inc. (Petroleum Distributor)

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Retired, Formerly Vice President of Sales, Marketing, Windfall Products, Inc. (Manufacturer)

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Waroquier Coal Company (Coal Producer)

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Officers

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President & Chief Executive Officer

William A. Franson
Secretary

Joseph B. Bower, Jr.
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William A. Franson
Executive Vice President & Cashier, Chief Operating Officer

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Donald E. Shawley
Senior Vice President & Senior Trust Officer

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Senior Vice President & Senior Trust Officer

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Vice President, Trust Officer

Andrew J. Woolridge
Investment Officer

Lisa A. Fredette
Trust Officer

Glenn R. Pentz
Trust Officer

Vickie L. Pingie
Assistant Trust Officer

LENDING OPERATIONS

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Vice President, Community Banking

Stanley G. Kaizer
Vice President, Community Banking, DuBois

William J. Mills
Vice President, Community Banking, St. Marys

Richard L. Sloppy
Vice President, Community Banking

Joseph H. Yaros
Vice President, Community Banking, Bradford

Duane P. Shifter
Vice President, Downtown Office, Clearfield

Christopher L. Stott
Vice President, Mortgage Lending

David W. Ogden
Assistant Vice President, Credit Administration

Ruth Anne Ryan
Assistant Vice President, Dealer Center

Michael C. Sutika
Assistant Vice President, Community Banking

Eric P. Schmader
Community Banking, Ridgway

Richard L. Bannon
Credit Administration Officer

Denise J. Greene
Banking Officer, Community Banking, Clearfield

Paul A. McDermott
Banking Officer, Community Banking, Philipsburg

Larry A. Putt
Banking Officer, Community Banking, Clearfield

Gregory R. Williams
Banking Officer, Community Banking, Clearfield

Christopher N. Norris
Collection Officer

BRANCH DIVISION

Jacqueline A. Hynd
Vice President, Office Administration

Jeffrey A. Herr
Vice President,
Presqueisle Street Office, Philipsburg

Beatrice H. Wittman
Assistant Vice President,
Regional Banking

Mary A. Baker
Assistant Vice President,
Northern Cambria Office

Rodger L. Read
Assistant Vice President, Madera Office and
Osceola Mills Office

Deborah M. Young
Assistant Vice President,
Washington Street Office and BiLo Office,
St. Marys

Patricia D. Arlington
Community Office Manager,
Bradford Washington Street Office

Dawn M. Gier
Community Office Manager,
Johnsonburg Office

Kathy J. McKinney
Community Office Manager,
Houtzdale Office

Francine M. Papa
Community Office Manager,
Ridgway Office

Jo Ellen Potter
Community Office Manager,
Plaza Office, Philipsburg

Douglas M. Shaffer
Community Office Manager, Punxsutawney Office

Susan J. Shimmel
Community Office Manager,
Old Town Road Office, Clearfield

Jennifer A. Smith
Community Office Manager,
Bradford Main Street Office

Steven C. Tunall
Community Office Manager, Kane Office

ADMINISTRATIVE SERVICES

Mary Ann Conaway
Vice President, Human Resources

Helen G. Kolar
Vice President, Marketing & Sales

Rachel E. Larson
Vice President, Operations

Edward H. Proud
Vice President, Information Systems

Thomas J. Ammerman, Jr.
Bank Security Officer

Donna J. Collins
Compliance Officer

Susan B. Kurtz
Customer Service Officer

Duane B. Luzier
Network Administration Officer

C. Glenn Myers
Controller & Assistant Financial Officer

Dennis J. Sloppy
Information Systems Officer

Brenda L. Terry
Banking Officer

Shareholder Information

ANNUAL MEETING
The Annual Meeting of the Shareholders of CNB Financial Corporation will be held Tuesday, April 16, 2002 at 2:00 p.m. at the Corporation's Headquarters in Clearfield, PA.

CORPORATE ADDRESS

CNB Financial Corporation
1 S. Second Street
P.O. Box 42
Clearfield, PA 16830
(814) 765-9621

STOCK TRANSFER AGENT & REGISTRAR

County National Bank
1 S. Second Street
P.O. Box 42
Clearfield, PA 16830
(814) 765-9621

FORM 10-K
Shareholders may obtain a copy of the Annual Report to the Securities and Exchange Commission on Form 10-K by writing to:

CNB Financial Corporation
1 S. Second Street
P.O. Box 42
Clearfield, PA 16830
ATTN: Shareholder Relations

QUARTERLY SHARE DATA
For information regarding the Corporation's quarterly share data, please refer to page 24 in the 2001 Annual Report Financial Section.

Each depositor insured to $100,000
FDIC
FEDERAL DEPOSIT INSURANCE CORPORATION

MARKET MAKERS
The following firms have chosen to make a market in the stock of the Corporation. Inquiries concerning their services should be directed to:

Ferris Baker Watts, Inc.
6 Bird Cage Walk
Hollidaysburg, PA 16648
(800) 343-5149

Hopper Soliday & Co., Inc.
1703 Oregon Pike
P. O. Box 4548
Lancaster, PA 17604-4548
(800) 456-9234

F. J. Morrissey & Co.
1700 Market Street, Suite 1420
Philadelphia, PA 19103
(800) 842-8928

Parker Hunter, Inc.
484 Jeffers Street
P.O. Box 1105
DuBois, PA 15801
(800) 238-0067

Ryan, Beck & Co.
401 City Avenue Suite 902
Bala Cynwyd,PA 19004-1122
(800) 223-8969

CORPORATE PROFILE
County National Bank, a subsidiary of CNB Financial Corporation, is a leader in providing integrated financial solutions, which creates value for both consumers and businesses. These solutions consist of a family of products and services developed to support the evolving needs of our customers from traditional to innovative. For over 136 years, we have prided ourselves in building long-term customer relationships by being reliable and competitively priced.

Being a regional independent community bank in North Central Pennsylvania, we have approximately 238 employees who make our customer service more responsive, reliable and empathetic. In addition, we offer a variety of delivery channels, which includes 20 full-service offices, telephone banking (1-888-641-6554), Internet banking (www.bankcnb.com) and a centralized customer service center (1-800-492-3221).