

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2011

Or

**TRANSITION REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period _____ to _____

Commission file # 033-00737

CNB CORPORATION
(Exact name of registrant as specified in its charter)

Michigan
(State or other jurisdiction of
incorporation or organization)

38-2662386
(I.R.S. Employer
Identification No.)

303 North Main Street, Cheboygan MI 49721
(Address of principal executive offices, including Zip Code)

(231) 627-7111
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes (X) No ()

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 or the Exchange Act.

Large accelerated filer _____

Accelerated filer _____

Non-accelerated filer _____

Smaller reporting company X

(Do not check if a small reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in rule 12b-2 of the Exchange Act).

Yes () No (X)

As of May 11, 2011 there were 1,212,098 shares of the issuer's common stock outstanding.

CNB CORPORATION
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PART I – FINANCIAL INFORMATION

ITEM 1-FINANCIAL STATEMENTS (CONDENSED)

CONSOLIDATED BALANCE SHEETS (dollars in thousands, except per share data)

	March 31, 2011 (Unaudited)	December 31, 2010
ASSETS		
Cash and due from banks	\$ 2,901	\$ 3,958
Interest-bearing deposits with other financial institutions	14,899	18,595
Total cash and cash equivalents	<u>17,800</u>	<u>22,553</u>
Time Deposits with other financial institutions	9,791	9,626
Securities available for sale	75,392	66,588
Securities held to maturity (market value of \$8,546 in 2011 and \$8,727 in 2010)	8,177	8,442
Other securities	999	999
Loans, held for sale	456	386
Loans, net of allowance for loan losses of \$1,845 in 2011 and \$2,354 in 2010	123,831	128,776
Premises and equipment, net	5,398	5,499
Other assets	<u>14,437</u>	<u>12,229</u>
Total assets	<u>\$ 256,281</u>	<u>\$ 255,098</u>
LIABILITIES		
Deposits		
Noninterest-bearing	\$ 38,553	\$ 42,106
Interest-bearing	<u>192,475</u>	<u>188,060</u>
Total deposits	231,028	230,166
Other liabilities	<u>4,300</u>	<u>4,291</u>
Total liabilities	235,328	234,457
SHAREHOLDERS' EQUITY		
Common stock - \$2.50 par value; 2,000,000 shares authorized; and 1,212,098 shares issued and outstanding in 2011 and 2010	3,030	3,030
Additional paid-in capital	19,499	19,499
Accumulated deficit	(953)	(1,137)
Accumulated other comprehensive loss, net of tax	<u>(623)</u>	<u>(751)</u>
Total shareholders' equity	<u>20,953</u>	<u>20,641</u>
Total liabilities and shareholders' equity	<u>\$ 256,281</u>	<u>\$ 255,098</u>

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME (dollars in thousands, except per share data)

	Three months ended March 31,	
	2011	2010
	(Unaudited)	
INTEREST INCOME		
Loans, including fees	\$ 1,938	\$ 2,234
Securities		
Taxable	281	215
Tax exempt	129	145
Other interest income	57	59
Total interest income	<u>2,405</u>	<u>2,653</u>
INTEREST EXPENSE ON DEPOSITS	<u>406</u>	<u>587</u>
NET INTEREST INCOME	1,999	2,066
Provision for loan losses	<u>300</u>	<u>225</u>
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	<u>1,699</u>	<u>1,841</u>
NONINTEREST INCOME		
Service charges and fees	237	246
Net realized gains from sales of loans	27	30
Loan servicing fees, net of amortization	23	20
Other income	127	82
Total noninterest income	<u>414</u>	<u>378</u>
NONINTEREST EXPENSES		
Salaries and employee benefits	962	984
Deferred compensation	64	61
Occupancy	264	256
Legal and professional	147	175
FDIC Premiums	139	128
ORE losses and carrying costs	40	114
Other expenses	300	250
Total noninterest expense	<u>1,916</u>	<u>1,968</u>
INCOME BEFORE INCOME TAXES	197	251
Income tax expense	<u>13</u>	<u>26</u>
NET INCOME	<u>\$ 184</u>	<u>\$ 225</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 312</u>	<u>\$ 177</u>
Return on average assets (annualized)	0.29%	0.36%
Return on average equity (annualized)	3.55%	4.34%
Basic earnings per share	\$ 0.15	\$ 0.19
Diluted earnings per share	\$ 0.15	\$ 0.19
Dividends declared per share	\$ -	\$ -

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS (dollars in thousands).

	Three months ended March 31,	
	2011	2010
	(Unaudited)	
Cash flows from operating activities		
Net Income	\$ 184	\$ 225
Adjustments to reconcile net income to net cash from operating activities		
Depreciation, amortization and accretion, net	130	171
Provision for loan losses	300	225
Loans originated for sale	(1,955)	(2,735)
Proceeds from sales of loans originated for sale	1,516	1,654
Gain on sales of loans	(27)	(30)
Other real estate owned writedowns/losses	-	38
Increase in deferred tax benefit	(67)	(229)
(Increase) decrease in other assets	23	(10)
Increase (decrease) in other liabilities	9	(203)
Total adjustments	<u>(71)</u>	<u>(1,119)</u>
Net cash (used in) provided by operating activities	113	(894)
Cash flows from investing activities		
Proceeds from sales of securities available for sale	-	420
Proceeds from maturities of securities available for sale	4,069	10,026
Purchase of securities available for sale	(12,692)	(14,683)
Proceeds from maturities of securities held to maturity	265	359
Proceeds from maturities of time deposits	878	574
Purchase of time deposits	(1,043)	(437)
Net change in portfolio loans	2,811	2,963
Premises and equipment expenditures	(16)	(15)
Net cash used in investing activities	<u>(5,728)</u>	<u>(793)</u>
Cash flows from financing activities		
Net increase in deposits	862	277
Net cash provided by financing activities	<u>862</u>	<u>277</u>
Net change in cash and cash equivalents	(4,753)	(1,410)
Cash and cash equivalents at beginning of year	<u>22,553</u>	<u>17,247</u>
Cash and cash equivalents at end of period	<u>\$ 17,800</u>	<u>\$ 15,837</u>
Cash paid during the period for:		
Interest	\$ 405	\$ 586
Non-cash transactions:		
Transfer from loans to other real estate owned	2,219	115

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

FORWARD-LOOKING STATEMENTS

When used in this filing and in future filings involving the Company with the Securities and Exchange Commission, in the Company's press releases or other public or shareholder communications, or in oral statements made with the approval of an authorized executive officer, the words or phrases, "anticipate," "would be," "will allow," "intends to," "will likely result," "are expected to," "will continue," "is anticipated," "estimated," "project," or similar expressions are intended to identify, "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties, including but not limited to changes in economic conditions in the Company's market area, and competition, all or some of which could cause actual results to differ materially from historical earnings and those presently anticipated or projected.

The Company wishes to caution readers not to place undue reliance on any such forward-looking statements, which speak only as to the date made, and advise readers that various factors, including regional and national economic conditions, substantial changes in levels of market interest rates, credit and other risks of lending and investing activities, and competitive and regulatory factors, could affect the Company's financial performance and could cause the Company's actual results for future periods to differ materially from those anticipated or projected.

The Company does not undertake, and specifically disclaims any obligation, to update any forward-looking statements to reflect occurrences or unanticipated events or circumstances after the date of such statements.

Note 1-Basis of Presentation

The consolidated financial statements for the three months ended March 31, 2011 and 2010 and December 31, 2010 include the accounts of CNB Corporation ("Company") and its wholly owned subsidiary, Citizens National Bank of Cheboygan ("Bank"). All significant intercompany accounts and transactions are eliminated in the consolidation process. The statements have been prepared by management without an audit by independent certified public accountants. However, these statements reflect all adjustments (consisting of normal recurring accruals) and disclosures which are, in the opinion of management, necessary for a fair presentation of the results for the interim periods presented and should be read in conjunction with the notes to the consolidated financial statements included in the CNB Corporation's Form 10-K for the year ended December 31, 2010.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission.

Because the results of operations are so closely related to and responsive to changes in economic conditions, the results for any interim period are not necessarily indicative of the results that can be expected for the entire year.

Note 2 – New Accounting Standards

In April 2011, the FASB issued, A Creditor's Determination of Whether a Restructuring is a Troubled Debt Restructuring, amends FASB ASC 310-40, Receivables — Troubled Debt Restructurings by Creditors because of inconsistencies in practice and the increased volume of debt modifications. The standard provides additional clarifying guidance in determining whether a creditor has granted a concession and whether a debtor is experiencing financial difficulties for purposes of determining whether a restructuring qualifies as a troubled debt restructuring. The effective date is for the first interim or annual period ending after June 15, 2011 to be applied retrospectively to restructurings taking place on or after the beginning of the fiscal year of adoption, with early application allowed. As a result of the clarifying guidance, receivables that are newly considered impaired for which impairment was previously measured using a general allowance for credit losses may be identified. In respect of such receivables, disclosure is required of (1) the total recorded investment in such receivables, and (2) the related allowance for credit losses as of the end of the period of adoption. For purposes of measuring impairment of those receivables, the effective date is for the first interim or annual period beginning on or after

June 15, 2011 to be applied prospectively. The Company is analyzing the impact on the standard and will adopt the requirements in the third quarter of 2011.

Note 3 – Securities

The securities portfolio increased \$8.5 million since December 31, 2010. The available for sale portfolio increased to 90.2% of the investment portfolio at March 31, 2011 compared to 88.7% December 31, 2010.

The fair values and related unrealized gains and losses for securities available for sale were as follows, in thousands of dollars:

	<u>Fair Value</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>
Available for Sale			
March 31, 2011			
U.S. Government and agency	\$ 47,784	\$ 110	\$ (68)
Mortgage-backed	15,081	173	(23)
State and municipal	10,385	246	(19)
Corporate Obligations	1,022	23	-
Auction rate securities	1,000	-	-
Preferred Shares	120	98	-
	<u>\$ 75,392</u>	<u>\$ 650</u>	<u>\$ (110)</u>
December 31, 2010			
U.S. Government and agency	\$ 38,100	\$ 133	\$ (123)
Mortgage-backed	15,902	139	(24)
State and municipal	10,527	216	(32)
Corporate Obligations	1,023	24	-
Auction rate securities	1,000	-	-
Preferred Shares	36	14	-
	<u>\$ 66,588</u>	<u>\$ 526</u>	<u>\$ (179)</u>

The carrying amount, unrecognized gains and losses, and fair value of securities held to maturity were as follows, in thousand of dollars:

	<u>Carrying Amount</u>	<u>Gross Unrecognized Gains</u>	<u>Gross Unrecognized Losses</u>	<u>Fair Value</u>
Held to Maturity				
March 31, 2011				
State and municipal	\$ 8,177	\$ 369	\$ -	\$ 8,546
December 31, 2010				
State and municipal	\$ 8,442	\$ 285	\$ -	\$ 8,727

The carrying amount and fair value of securities by contractual maturity at March 31, 2011 are shown below, in thousands of dollars.

	Available for sale	Held to Maturity	
	Fair Value	Carrying Amount	Fair Value
Due in one year or less	\$ 24,466	\$ 1,265	\$ 1,272
Due from one to five years	32,454	4,076	4,192
Due from five to ten years	1,683	2,176	2,345
Due after ten years	588	660	737
Subtotal	59,191	8,177	8,546
Mortgage-backed securities	15,081	-	-
Auction Rate Securities	1,000	-	-
Preferred Shares	120	-	-
	<u>\$ 75,392</u>	<u>\$ 8,177</u>	<u>\$ 8,546</u>

Note 4 – Loans

The table below shows total loans outstanding by type, in thousands of dollars, at March 31, 2011 and December 31, 2010 and their percentages of the total loan portfolio. All loans are domestic.

	March 31, 2011		December 31, 2010	
	Balance	% of total	Balance	% of total
Portfolio loans:				
Residential real estate	\$ 66,689	52.97%	\$ 67,309	51.24%
Consumer	4,928	3.92%	6,016	4.58%
Commercial real estate	48,826	38.78%	52,654	40.09%
Commercial	5,455	4.33%	5,375	4.09%
Gross Loans	125,898	100.00%	131,354	100.00%
Deferred loan origination fees, net	(222)		(224)	
Allowance for loan losses	(1,845)		(2,354)	
Loans, net	<u>\$ 123,831</u>		<u>\$ 128,776</u>	

The Company uses a seven grade risk rating system to monitor the ongoing credit quality of its commercial loan portfolio. These loan ratings rank the credit quality of a borrower by measuring liquidity, debt capacity, and payment behavior as shown in the borrower's financial statements. The loan ratings also measure the quality of the borrower's management and the repayment support offered by any guarantors. A summary of the Company's loan ratings (or, characteristics of the loans within each rating) follows:

Credit Quality Indicators

Risk Ratings 1-3 (Pass) — All loans in risk ratings 1— 3 are considered to be acceptable credit risks by the Company and are grouped for purposes of allowance for loan loss considerations and financial reporting. The three ratings essentially represent a ranking of loans that are all viewed to be of acceptable credit quality, taking into consideration the various factors mentioned above, but with varying degrees of financial strength, debt coverage, management and factors that could impact credit quality.

Risk Rating 4 (Special Mention) — A special mention business credit has potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects or in the Company's credit position at some future date. Special mention business credits are not adversely ranked and do not expose the Company to sufficient risk to warrant adverse ranking.

Risk Rating 5 (Substandard) — A substandard business credit is inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Business credit classified as substandard must have a well-defined weakness, or weaknesses, that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are

not corrected. If the likelihood of full collection of interest and principal may be in doubt; such loans are placed on nonaccrual status.

Risk Rating 6 (Doubtful) — A business credit rated as doubtful has all the weaknesses inherent in substandard as risk rating 5 with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. Due to the high probability of loss, nonaccrual treatment is required for doubtful rated loans.

Risk Rating 7 (Loss) — A business credit rated as loss is considered uncollectible and of such little value that its continuance as a collectable loan is not warranted. This rating does not necessarily result in absolutely no recovery or salvage value, but rather it is not practical or desirable to defer charging off even if partial recovery may be a consideration in the future.

The following table presents the recorded investment of loans in the commercial loan portfolio by risk rating categories:

	Commercial		Commercial Real Estate	
	March 31, 2011	December 31, 2010	March 31, 2011	December 31, 2010
	(In thousands)			
1	\$ 43	\$ 18	\$ 117	\$ 148
2	1,262	1,334	4,922	5,166
3	3,473	3,318	26,799	28,903
4	29	35	7,441	4,582
5	648	670	9,547	13,855
6	-	-	-	-
7	-	-	-	-
Total	<u>\$ 5,455</u>	<u>\$ 5,375</u>	<u>\$ 48,826</u>	<u>\$ 52,654</u>

The Company evaluates the credit quality of loans in the residential loan portfolio based primarily on the aging status of the loan and payment activity. The following schedule presents the recorded investment of loans in the residential loan portfolio based on the credit risk profile of loans in a pass, special mention and substandard rating:

	Residential	
	March 31, 2011	December 31, 2010
	(In thousands)	
Grade:		
Pass	\$ 66,208	\$ 66,884
Special mention	118	-
Substandard	363	425
Total	<u>\$ 66,689</u>	<u>\$ 67,309</u>

The Company evaluates the credit quality of loans in the consumer loan portfolio, based primarily on the aging status of the loan. Accordingly loans past due as to principal or interest 90 days or more are considered in a nonperforming status for purposes of credit quality evaluation. The following schedule presents the recorded investment of loans in the consumer loan portfolio based on the credit risk profile of loans in a performing status and loans in a nonperforming status:

	Consumer	
	March 31, 2011	December 31, 2010
	(In thousands)	
Performing	\$ 4,903	\$ 6,008
Nonperforming	25	8
Total	<u>\$ 4,928</u>	<u>\$ 6,016</u>

Note 5 – Allowance for Loan Losses

The following is a summary of transactions in the allowance for loan losses for the three month period ending March 31, in thousands of dollars:

	<u>2011</u>	<u>2010</u>
Beginning balance	\$ 2,354	\$ 2,863
Provision for loan losses	300	225
Charge-offs	(849)	(62)
Recoveries	40	12
Ending balance	<u>\$ 1,845</u>	<u>\$ 3,038</u>

Note 6 – Fair Value Measurements

The following tables present information about the Company's assets measured at fair value on a recurring basis at March 31, 2011 and December 31, 2010, and the valuation techniques used by the Company to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the company has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Company's assessment of the significance of particular inputs to these fair value measurements required judgment and considers factors specific to each asset or liability.

Disclosures concerning assets measured at fair value are as follows:

Assets and Liabilities Measured at Fair Value on a Recurring Basis (dollars in thousands)

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance
Assets				
March 31, 2011				
Investment securities-available-for-sale:				
U.S. Government and agency	\$ 47,784	\$ -	\$ -	\$ 47,784
Mortgage-backed	15,081	-	-	15,081
State and municipal	-	-	10,385	10,385
Corporate Obligations	1,022	-	-	1,022
Auction rate securities	-	-	1,000	1,000
Preferred Shares	120	-	-	120
	<u>\$ 64,007</u>	<u>\$ -</u>	<u>\$ 11,385</u>	<u>\$ 75,392</u>
December 31, 2010				
Investment securities-available-for-sale:				
U.S. Government and agency	\$ 38,100	\$ -	\$ -	\$ 38,100
Mortgage-backed	15,902	-	-	15,902
State and municipal	-	-	10,527	10,527
Corporate Obligations	1,023	-	-	1,023
Auction rate securities	-	-	1,000	1,000
Preferred Shares	36	-	-	36
	<u>\$ 55,061</u>	<u>\$ -</u>	<u>\$ 11,527</u>	<u>\$ 66,588</u>

Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis
(dollars in thousands)

	Investment securities available-for-sale:	
	2011	2010
Balance at January 1,	\$ 11,527	\$ 8,836
Total realized and unrealized gains (losses) included in income	-	-
Total unrealized gains (losses) included in other comprehensive income	44	(5)
Net purchases, sales, calls and maturities	(186)	(713)
Net transfers in/out of Level 3	-	-
Balance at March 31,	<u>\$ 11,385</u>	<u>\$ 8,118</u>

Available-for-sale investment securities categorized as Level 3 assets primarily consist of bonds issued by local municipalities. The Company estimates the fair value of these assets based on the present value of expected future cash flows using management's best estimate of key assumptions, including forecasted interest yield and payment rates, credit quality and a discount rate commensurate with the current market and other risks involved.

Both observable and unobservable inputs may be used to determine the fair value of positions classified as Level 3 assets and liabilities. As a result, the unrealized gains and losses for these assets presented in the tables above may include changes in fair value that were attributable to both observable and unobservable inputs.

Assets Measured at Fair Value on a Nonrecurring Basis
(dollars in thousands)

	Balance	Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Losses for the Period
Assets					
March 31, 2011					
Impaired loans	\$ 738			\$ 738	\$ (360)
Other real estate owned	883			883	-
December 31, 2010					
Impaired loans	\$ 2,343			\$ 2,343	\$ (890)
Other real estate owned	978			978	(346)

Impaired loans categorized as Level 3 assets consist of non-homogeneous loans that are considered impaired. The Company estimates the fair value of the loans based on using management's best estimate of key assumptions. These assumptions include future payment ability and estimated realizable values of available collateral (typically based on outside appraisals). The impaired loan losses for the period ending March 31, 2011 and December 31, 2010 represents charge-offs of loan balances written down through the allowance for loan losses. The other real estate owned losses for the period ending March 31, 2011 and December 31, 2010 represents balances written down through the income statement.

Note 7 – Fair Value of Financial Instruments

The following methods and assumptions were used to estimate fair values for financial instruments. The carrying amount is considered to estimate fair value for cash and variable rate loans or deposits that reprice frequently and fully. Securities fair values are based on quoted market prices or, if no quotes are available, on the rate and term of the security and on information about the issuer. For fixed rate loans or deposits and for variable loans or deposits with infrequent repricing or repricing limits, the fair value is estimated by discounted cash flow analysis or underlying collateral values, where applicable. The fair value of off-balance sheet items approximates cost and is not considered significant to this presentation.

The estimated values of financial instruments were:

	March 31, 2011		December 31, 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In thousands)			
Assets				
Cash and cash equivalents	\$ 17,800	\$ 17,800	\$ 22,553	\$ 22,553
Time Deposits with other financial institutions	9,791	9,791	9,626	9,626
Securities available for sale	75,392	75,392	66,588	66,588
Securities held to maturity	8,177	8,546	8,442	8,727
Other securities	999	999	999	999
Loans held for sale	456	461	386	392
Loans, net	123,831	123,999	128,776	130,286
Accrued interest receivable on loans	462	462	433	433
Liabilities				
Deposits:				
Noninterest-bearing	\$ (38,553)	\$ (38,553)	\$ (42,106)	\$ (42,106)
Interest bearing	(192,475)	(192,679)	(188,060)	(188,329)
Accrued interest payable on deposits	(61)	(61)	(59)	(59)

Note 8 - Stock Options

The Company adopted a stock option plan in May 1996 under which the stock options may be issued at market prices to employees. The plan states that no grant or award shall be made under the plan more than ten years from the date of adoption of the plan and therefore the plan ended in 2006. Stock options were used to reward certain officers and provide them with an additional equity interest. Options were issued for 10 year periods and have varying vesting schedules. The exercise price of options granted is equivalent to the market value of underlying stock at the grant date. The Company has a policy of issuing new shares to satisfy option exercises. There were no modification of awards during the periods ended March 31, 2011 and 2010.

Due to the plan end date, there are no options available for grant as of March 31, 2011 and 2010.

Information about options outstanding and options exercisable follows:

	<u>Options Outstanding</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Term</u>	<u>Aggregate Intrinsic Value</u>
Balance at January 1, 2011	4,462	\$ 48.57		
Options exercised	-	-		
Options expired	-	-		
Options forfeited	-	-		
Balance at March 31, 2011	<u>4,462</u>	\$ 48.57	2.7 years	\$ -
Exercisable at March 31, 2011	4,462	\$ 48.57		

There were no options exercised during the three months ended March 31, 2011 and 2010 therefore the aggregate intrinsic value of options exercised was \$0 for both periods. There were no shares vested for the same periods. Also, there was no cash received or tax benefits realized from option exercises during the same periods

There have been no significant changes in the Company's critical accounting policies since December 31, 2010.

Note 9-Earnings Per Share

Basic earnings per share are calculated solely on weighted-average common shares outstanding. Diluted earnings per share will reflect the potential dilution of stock options and other common stock equivalents. For the three month period ending March 31, 2011 and 2010 the weighted average shares outstanding in calculating basic and diluted earnings per share was 1,212,098 and 1,213,598 respectively. As of March 31, 2011 all of the 4,462 outstanding share options were not considered in the earnings per share calculation because they were antidilutive.

ITEM 2-MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion provides information about the consolidated financial condition and results of operations of CNB Corporation ("Company") and its wholly owned subsidiary, Citizens National Bank of Cheboygan ("Bank") for the three month period ending March 31, 2011.

Critical Accounting Policies

Certain of the Company's accounting policies are important to the portrayal of the Company's financial condition, since they require management to make difficult, complex or subjective judgments, some of which may relate to matters that are inherently uncertain. Estimates associated with these policies are susceptible to material changes as a result of changes in fact and circumstances. Facts and circumstances which could affect these judgments include, but without limitation, changes in interest rates, in the performance of the economy or in the financial condition of borrowers. Management believes that its critical accounting policies include determining the allowance for loan losses and determining the fair value of securities. The Company's critical accounting policies are described in the Management Discussion and Analysis section of its 2010 Annual Report.

Financial Condition

As of March 31, 2011 total assets of the company were \$256.3 million which represents very minimal change from December 31, 2010 assets of \$255.1 million. The Company recognized a decrease in the loan portfolio of \$4.9 million or 4.0% while deposits remained relatively flat increasing \$862,000.

Loans

Net portfolio loans at March 31, 2011 decreased \$4.9 million from December 31, 2010. During the first three months of 2011 and over the most recent twelve months total loans has decreased as a result of slowing loan demand, charge-offs and the Company's effective use of loan sales and servicing to mitigate interest rate risk. The Company generally sells its fixed long-term mortgages on the secondary market. Since December 31, 2010 commercial real estate mortgages have decreased \$3.8 million while consumer mortgages have decreased \$620,000. This decrease in commercial real estate mortgage loans is primarily due to the foreclosure of a large commercial mortgage loan. The foreclosure process transferred the loan balance from a commercial mortgage loan to other real estate owned. Minimal loan demand is expected to continue and overall total loan growth is not expected in 2011.

A quarterly review of loan concentrations at March 31, 2011 indicates the pattern of loans in the portfolio has not changed significantly. There is no individual industry with more than a 10% concentration. However, all tourism related businesses, when combined, total 14.7% of total loans.

Allowance and Provision for Loan Losses

The following schedule presents, by loan type, the changes in the allowance for the period ending March 31 and details regarding the balance in the allowance and the recorded investment in loans at March 31 by impairment evaluation method (in thousands).

	Commercial	Commercial Real Estate	Consumer	Residential	Unallocated	Total
For the three months ended March 31, 2011						
Allowance for credit losses:						
Beginning balance	\$ 43	\$ 2,000	\$ 107	\$ 186	\$ 18	\$ 2,354
Charge-offs	-	(840)	(7)	(2)	-	\$ (849)
Recoveries	-	32	7	1	-	\$ 40
Provision	16	95	(19)	38	170	300
Ending Balance	<u>\$ 59</u>	<u>\$ 1,287</u>	<u>\$ 88</u>	<u>\$ 223</u>	<u>\$ 188</u>	<u>\$ 1,845</u>
Ending balance: individually evaluated for impairment	<u>\$ -</u>	<u>\$ 965</u>	<u>\$ -</u>	<u>\$ 15</u>	<u>\$ -</u>	<u>\$ 980</u>
Ending balance: collectively evaluated for impairment	<u>\$ 59</u>	<u>\$ 322</u>	<u>\$ 88</u>	<u>\$ 208</u>	<u>\$ 188</u>	<u>\$ 865</u>

For the year ended December 31, 2010

Allowance for credit losses:

Beginning balance	\$ 116	\$ 2,277	\$ 107	\$ 343	\$ 20	\$ 2,863
Charge-offs	(20)	(2,216)	(111)	(98)	(5)	\$ (2,450)
Recoveries	13	92	28	41	-	\$ 174
Provision	(66)	1,847	83	(100)	3	\$ 1,767
Ending Balance	<u>\$ 43</u>	<u>\$ 2,000</u>	<u>\$ 107</u>	<u>\$ 186</u>	<u>\$ 18</u>	<u>\$ 2,354</u>
Ending balance: individually evaluated for impairment	<u>\$ -</u>	<u>\$ 965</u>	<u>\$ -</u>	<u>\$ 15</u>	<u>\$ -</u>	<u>\$ 980</u>
Ending balance: collectively evaluated for impairment	<u>\$ 43</u>	<u>\$ 1,035</u>	<u>\$ 107</u>	<u>\$ 171</u>	<u>\$ 18</u>	<u>\$ 1,374</u>

Management continually monitors its allowance for loan losses and as a result of this monitoring process recorded a loan loss provision of \$300,000 for the first three months of 2011 compared to the prior year amount of \$225,000 in the first three months of 2010. The amount of provisions for loan losses recognized by the Company is based on management's evaluation as to the amounts required to maintain an allowance adequate to provide for potential losses inherent in the loan portfolio.

During the first quarter 2011 partial charge-offs totaling \$815,000 were recorded for two loans in the process of foreclosure. A partial charge-off is taken when it is believed the current loan balance exceeds the value of the collateral being foreclosed. One of the loans remains in the process of foreclosure as of March 31, 2011 while the other loan was foreclosed and the remaining loan balance was transferred to other real estate owned.

Credit Quality

The lending staff continues to be well-trained and experienced. During 2010 the Company experienced a continued decrease in the quality of its loan portfolio as a result of persisting deterioration of the Michigan economy and the results of recognizing and working out of problem commercial real estate credits. The

Company maintains an acceptable level of asset quality as a result of actively managing delinquencies, nonperforming assets and potential loan problems. The Company performs an ongoing review of all large credits to watch for any deterioration in quality. Nonperforming assets are comprised of: (1) loans accounted for on a nonaccrual basis; (2) loans contractually past due 90 days or more as to interest or principal payments (but not included in nonaccrual loans in (1) above); (3) other loans whose terms have been renegotiated to provide a reduction or deferral of interest or principal because of a deterioration in the financial position of the borrower (exclusive of loans in (1) or (2) above); (4) and other real estate owned properties. The aggregate amount of nonperforming assets is shown in the table below.

	March 31, 2011	December 31, 2010
Nonaccrual	\$ 3,878	\$ 6,892
Loans past due 90 days or more	52	99
Troubled debt restructurings	502	233
Other real estate owned	4,391	2,180
Total nonperforming assets	<u>\$ 8,823</u>	<u>\$ 9,404</u>
Percent of total assets	3.44%	3.69%

At March 31, 2011, total nonperforming assets decreased by \$581,000 from December 31, 2010. The Bank is closely monitoring and managing nonperforming assets. Nonaccrual loans decreased to \$3.9 million since December 31, 2010. Offsetting the decrease in nonaccrual loans was an increase to other real estate owned. Other real estate owned increased to \$4.4 million at March 31, 2011. As stated in the "Allowance and Provision for Loan Losses" section above, during the first quarter of 2011 a large nonperforming loan, previously on nonaccrual status was foreclosed and the balance was transferred into other real estate owned. Loans past due 90 days and still accruing are loans that management considers to be collectable including accrued interest. Uncertainty in the local economic conditions continues to contribute to the weakness in credit quality.

Because of the continuing efforts to identify and analyze the overall amount of credit risk in the Company's loan portfolio, the Company expects the level of non-performing assets to remain at current levels throughout the remainder of 2011. The Bank believes it is adequately reserved on these loans.

Detail of the loans on nonaccrual status by loan type is presented in the table below:

	March 31, 2011	December 31, 2010
	(In thousands)	
Commercial	\$ 494	\$ 503
Commercial real estate	3,269	6,363
Consumer	-	-
Residential	115	26
Total	<u>\$ 3,878</u>	<u>\$ 6,892</u>

The following schedule represents the aging analysis of past due loans by loan type reported (in thousands):

	30-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loan	Accruing Loans 90 Days or More Days Past Due
March 31, 2011						
Commercial	\$ 56	\$ 402	\$ 458	\$ 4,997	\$ 5,455	\$ -
Commercial Real Estate	3,270	134	3,404	45,422	48,826	-
Consumer	11	-	11	4,917	4,928	-
Residential	368	143	511	66,178	66,689	52
Total	<u>\$ 3,705</u>	<u>\$ 679</u>	<u>\$ 4,384</u>	<u>\$ 121,514</u>	<u>\$ 125,898</u>	<u>\$ 52</u>
December 31, 2010						
Commercial	\$ 39	\$ 402	\$ 441	\$ 4,934	\$ 5,375	\$ -
Commercial Real Estate	404	2,689	3,093	49,561	52,654	-
Consumer	31	8	39	5,977	6,016	8
Residential	824	91	915	66,394	67,309	91
Total	<u>\$ 1,298</u>	<u>\$ 3,190</u>	<u>\$ 4,488</u>	<u>\$ 126,866</u>	<u>\$ 131,354</u>	<u>\$ 99</u>

There were twenty-one loans in the loan portfolio that were considered impaired as of March 31 2011. Eleven of the twenty-one loans considered impaired have a valuation allowance against probable losses. There were twenty-two loans that were considered impaired as of yearend 2010. Eight of the twenty-two loans considered impaired had a valuation allowance against probable losses. Impaired loans are presented in the table below (in thousands):

	Unpaid Contractual Principal Balance	Loans With No Allowance	Loans With Allowance	Total Impaired Loans	Related Allowance	Average Impaired Loan Balance	Interest Income Recognized
March 31, 2011							
Commercial	\$ 542	\$ 411	\$ 34	\$ 445	\$ 35	\$ 445	\$ -
Commercial Real Estate	3,697	251	3,085	3,336	321	3,336	1
Consumer	10	10	-	10	-	10	-
Residential	169	25	129	154	36	154	-
Total	<u>\$ 4,418</u>	<u>\$ 697</u>	<u>\$ 3,248</u>	<u>\$ 3,945</u>	<u>\$ 392</u>	<u>\$ 3,945</u>	<u>\$ 1</u>
December 31, 2010							
Commercial	\$ 514	\$ 417	\$ -	\$ 417	\$ -	\$ 410	\$ -
Commercial Real Estate	7,323	2,113	4,320	6,433	965	5,679	5
Consumer	10	10	-	10	-	17	1
Residential	76	26	34	60	15	278	2
Total	<u>\$ 7,923</u>	<u>\$ 2,566</u>	<u>\$ 4,354</u>	<u>\$ 6,920</u>	<u>\$ 980</u>	<u>\$ 6,383</u>	<u>\$ 8</u>

Deposits

As of March 31, 2011 a marginal increase of \$862,000 was recognized in deposits since December 31, 2010. Although there was little change in total deposits, there was a shift in the deposit mix since December 21, 2010. Interest-bearing deposits increased \$4.4 million or 2.3% for the three months ended March 31, 2011, while noninterest-bearing deposits decreased \$3.6 million or 8.4%.

Liquidity and Capital

The Company maintains an adequate liquidity position in order to respond to extensions of credit, the short-term demand for funds caused by withdrawals from deposit accounts, and for the payment of operating expenses. Maintaining adequate liquidity is accomplished through the management of a combination of liquid assets – those which can be converted into cash – and access to additional sources of funds. If necessary, additional sources of funds include Federal Home Loan Bank advances and Federal Reserve Discount Window availability. Primary liquid assets of the Company are cash and due from banks, federal funds sold, investments held as “available for sale” and maturing loans. The company does not rely on borrowings for sources of liquidity. Liquidity management is both a daily and long-term function of business management. Maturities in the Company’s loan and investment portfolios are monitored regularly to avoid matching short-term deposits with long-term investments and loans. Other assets and liabilities are also monitored to provide the proper balance between liquidity, safety, and profitability. This monitoring process must be continuous due to the constant flow of cash that is inherent in a financial institution.

The Company’s balances of cash and cash equivalents decreased \$4.8 million or 21.1%. During the three month period ending March 31, 2011, \$113,000 in cash was provided by operating activities. Investing activities utilized \$5.7 million during the three months ended March 31, 2011 and financing activities provided \$862,000.

As of March 31, 2010, the Company had no federal funds sold, \$14.9 million in interest-bearing deposits with other financial institutions, \$75.4 million in securities available for sale and \$1.3 million in held to maturity securities maturing within one year. These sources of liquidity are supplemented by new deposits and loan payments received by customers. These short-term assets represent 40.0% of total deposits as of March 31, 2011.

Total equity of the Company at March 31, 2011 was \$21.0 million compared to \$20.6 million at December 31, 2010. The increase in equity for the three months ended March 31, 2011 includes an increase in retained earnings from net income and a decrease in the accumulated deficit. This was offset by a marginal decrease in net changes related to accumulated other comprehensive loss.

RESULTS OF OPERATIONS

CNB Corporation’s 2011 net income for the first three months was \$184,000, a decrease of \$41,000 compared to 2010 results. This decrease in net income can be attributed for the most part to a decreased level of net interest income. Net interest income decreased compared to the same three month period last year due in part to the elevated level of nonaccrual loans and the decreased loan volume. This decrease in net interest income can also be attributed to the current rate environment. While deposit rates have reached near minimum levels, loans and investments continue to reprice at lower levels. Basic and diluted earnings per share were \$0.15 for 2011 compared to \$0.19 for 2010. The return on assets was .29% for the first three months of the year versus .36% for the same period in 2010. The return on equity was 3.55% compared to 4.34% for the same period last year.

For the first three months of 2011, net interest income was \$2.0 million representing a decrease of 3.2% from the same period in 2010. The fully taxable equivalent net interest margin decreased to 3.41% for the three month period ending March 31, 2011 compared to 3.77% for the same period ending March 31, 2010. This change can be attributable to the same reasons noted above. The decreasing interest rate environment and nonaccrual loans continue to cause a decrease in interest income on earning assets.

Management continually reviews changes in the loan portfolio composition and asset quality. A provision expense of \$300,000 was recorded in the first three months in 2011 and \$225,000 in the first three months in 2010. It is management's belief that asset quality is stabilizing.

Noninterest income for the three months ending March 31, 2011 was \$414,000, an increase of \$36,000 or 9.5% from the same period last year. Other income increased \$45,000 compared to the same period last year. This change between the two periods is attributed, in part, to the Bank's broker/dealer relationship with Infinex Financial Group ("Infinex"). The Bank maintains a broker/dealer relationship with Infinex as a third party firm utilized to offer customers access to retail investment and insurance programs, financial planning services and full service brokerage capabilities. The Bank received \$76,000 of commission income from this relationship in 2011. This is an increase of \$24,000 or 44.5% compared to \$52,000 of commission income in 2010. Also contributing to the increase in other noninterest income was settlement payments from the CNB vs. Heber Fuger Wendin Inc. and Mark Williams litigation. This increase in income was offset by decreases in services charges and fee in the three month comparison.

Noninterest expense for the first three months of 2011 was \$1.9 million; a decrease of 2.6% from the same period last year. Salaries and employee benefits have continued to decrease due to staffing efficiencies and changes to hospitalization coverage to reduce premiums. Legal and professional expenses decreased due to closure of the litigation against the Bank's former investment advisor.

The provision for federal income tax was 6.6% of pretax income for the three months ended March 31, 2011 as compared to 10.4% for the same period in 2010. The difference between the effective tax rate and the federal corporate tax rate of 34% is generally due to tax-exempt interest earned on investments and loans and other tax-related items.

ITEM 3-QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The primary source of market risk for the financial instruments held by the Company is interest rate risk. That is, the risk that a change in market rates will adversely affect the market value of the instruments. Generally, the longer the maturity, the higher the interest rate risk exposure. While maturity information does not necessarily present all aspects of exposure, it may provide an indication of where risks are prevalent.

All financial institutions assume interest rate risk as an integral part of normal operations. Managing and measuring interest rate risk is a dynamic, multi-faceted process that ranges from reducing the exposure of the Company's net interest margin to swings in interest rates, to assuring sufficient capital and liquidity to support future balance sheet growth. The Company manages interest rate risk through the Asset Liability Committee. The Asset Liability Committee is comprised of bank officers from various disciplines. The Committee reviews policies and establishes rates which lead to prudent investment of resources, the effective management of risks associated with changing interest rates, the maintenance of adequate liquidity, and the earning of an adequate return of shareholders' equity.

Management believes that there has been no significant changes to the interest rate sensitivity since the presentation in the December 31, 2010 Management Discussion and Analysis appearing in the December 31, 2010 10K.

ITEM 4-CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report (the "Evaluation Date") an evaluation was carried out under the supervision and with the participation of the Company's management, including our Chief Executive Officer and Treasurer who serves as our Chief Financial and Accounting Officer, of the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based on their evaluation, our Chief Executive Officer and Treasurer have concluded that as of the Evaluation Date, the Company's disclosure controls and procedures are, to the best of their knowledge, effective to ensure that material information relating to the Company known to others within the Company required to be disclosed by the Company in reports that it files or submits under the Exchange Act is

recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms.

Management's Annual Report on Internal Controls Over Financial Reporting

The management of CNB Corporation is responsible for establishing and maintaining adequate internal control over financial reporting. CNB Corporation's internal control system was designed to provide reasonable assurance to the Company's management and board of directors regarding the preparation and fair presentation of its financial statements.

Management of CNB Corporation assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2010. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework. Based on our assessment we believe that, as of December 31, 2010, the Company's internal control over financial reporting is effective based on those criteria.

The December 31, 2010 annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the company to provide only management's report in the annual report.

The Board of Directors, acting through its Audit Committee, is responsible for the oversight of the Company's accounting policies, financial reporting and internal control. The Audit Committee of the Board of Directors is comprised entirely of outside directors who are independent of management. It meets quarterly with management and the internal auditor and periodically with the independent auditors to ensure that they are carrying out their responsibilities. The independent auditors and the internal auditor have full and unlimited access to the Audit Committee, with or without management, to discuss the adequacy of internal control over financial reporting, and any other matter which they believe should be brought to the attention of the Audit Committee.

Changes in Internal Control over Financial Reporting

There has been no change in the Company's internal control over financial reporting that occurred during the quarter ended March 31, 2011 that materially affected, or is reasonably likely to materially affect the Company's internal control over financial reporting.

Limitations of the Effectiveness of Internal Controls

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective, provide only reasonable assurance with respect to financial statement preparation and presentation.

PART II-OTHER INFORMATION

Item 1-Legal Proceedings

None

Item 1A.-Risk Factors

Not applicable.

Item 2- Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3-Defaults Upon Senior Securities

None

Item 4-(Removed and Reserved)

Item 5-Other Information

None

Item 6-Exhibits and Reports of Form 8-K

a.) Exhibits

31.1 Certification pursuant to section 302 of the Sarbanes-Oxley Act of 2002 by the Chief Executive Officer

31.2 Certification pursuant to section 302 of the Sarbanes-Oxley Act of 2002 by the Principal Financial Officer

32.1 Certification pursuant to section 906 of the Sarbanes-Oxley Act of 2002 by the Chief Executive Officer

32.2 Certification pursuant to section 906 of the Sarbanes-Oxley Act of 2002 by the Principal Financial Officer

b.) Reports on Form 8-K

None.

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CNB Corporation _____
(Registrant)

Date: May 12, 2011

/s/ Susan A. Eno

Susan A. Eno
President and Chief Executive Officer

Date: May 12, 2011

/s/ Douglas W. Damm

Douglas W. Damm
Executive Vice President

EXHIBIT INDEX

<u>Number</u>	<u>Exhibit</u>
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EXHIBIT 31.1

CERTIFICATION OF PRESIDENT AND CHIEF EXECUTIVE OFFICER

I, Susan A. Eno, President and Chief Executive Officer, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of CNB Corporation;
- 2) Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principals;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 12, 2011

/s/ Susan A. Eno

Susan A. Eno
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Shanna L. Hanley, Treasurer, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of CNB Corporation;
- 2) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant we have:
 - b) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - c) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - d) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - e) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 12, 2011

/s/ Shanna L. Hanley

Shanna L. Hanley
Treasurer

