UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A

(Mark One)

___X___ Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2004.

or

__________ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 [No Fee Required]

For the Transition Period From __________ to ___________.

Commission file number 2-96350

CNB CORPORATION

(Exact name of registrant as specified in its charter)

South Carolina	57-0792402
(State of incorporation)	(I.R.S. Employer Identification No.)

1400 Third Avenue, P.O. Box 320, Conway, South Carolina	29528
(Address of Principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (843) 248-5721

Securities registered pursuant to section 12(b) of the Act:

None

Securities registered pursuant to Section 12(g) of the Act:

Title of each class

Common Stock, par value $10.00 per share

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 and (2) has been subject to such filing requirements for the past 90 days. Yes X No___

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K/A or any amendment to this Form 10-K/A. [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes X . No ___.

As of February 28, 2005, 788,617 shares of Common Stock of CNB Corporation were outstanding. As of June 30, 2004, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of such Common Stock held by nonaffiliates (based upon the price at which stock was sold prior to such date) was approximately $87,952,360.

No Documents have been incorporated by reference.

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PART I

FORWARD-LOOKING STATEMENTS

Statements included in this report which are not historical in nature are intended to be, and are hereby identified as “forward-looking statements” for purposes of the safe harbor provided by Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements which are other than statements of historical facts. Such forward-looking statements may be identified, without limitation, by the use of the words “anticipates,” “believes,” “estimates,” “expects,” “intends,” “plans,” “predicts,” “projects,” and similar expressions. The Company’s expectations, beliefs, estimates and projections are expressed in good faith and are believed by the Company to have a reasonable basis, including without limitation, management’s examination of historical operating trends, data contained in the Company’s records and other data available from third parties, but there can be no assurance that management’s expectations, beliefs, estimates or projections will result or be achieved or accomplished.

The Company cautions readers that forward-looking statements, including without limitation, those relating to the Company’s recent and continuing expansion, its future business prospects, revenues, working capital, liquidity, capital needs, interest costs, income, and adequacy of the allowance for loan losses, are subject to risks and uncertainties that could cause actual results to differ materially from those indicated in the forward-looking statements, due to several important factors herein identified, among others, and other risks and factors identified from time to time in the Company’s reports filed with the Securities and Exchange Commission.

The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

PART I

ITEM 1. Description of Business

DESCRIPTION OF CNB CORPORATION

CNB Corporation (the "Company") is a South Carolina business corporation organized for the purpose of becoming a bank holding company for The Conway National Bank (the "Bank") under the Bank Holding Company Act. The Company was organized with $500 of capital on March 8, 1985; received approval from the Board of Governors of the Federal Reserve System on May 15, 1985, to become a bank holding company; and on June 10, 1985, acquired, in exchange for its own shares of common stock, substantially all of the common stock of the Bank. The activities of the Company are subject to the supervision of the Federal Reserve, and the Company may engage directly or through subsidiary corporations in those activities closely related to banking which are specifically permitted under the Bank Holding Company Act. See "Supervision and Regulation." Although the Company, after obtaining the requisite approval of the Federal Reserve and any other appropriate regulatory agency, may seek to enter businesses closely related to banking or to acquire existing businesses already engaged in such activities, the Company has not conducted, and has no present intent to conduct, negotiations for the acquisition or formation of any entities to engage in other permissible activities other than the acquisition of the Bank.

The Company and the Bank compete with those banks and other financial institutions that compete with the Bank. See "Competition." In addition, if the Company attempts to form or acquire other entities and engage in activities closely related to banking, the Company will be competing with other bank holding companies, financial holding companies, and companies currently engaged in lines of business or permissible activities in which the Company might engage, many of which have far greater assets and financial resources than the Company and a greater capacity to raise additional debt and equity capital than the Company.

DESCRIPTION OF THE SUBSIDIARY

The Bank is an independent community bank engaged in the general commercial banking business in Horry and Georgetown Counties, South Carolina. The Bank was organized on June 5, 1903 as the Bank of Horry located on Main Street in Conway, South Carolina. The Bank became a national bank operating as The Conway National Bank in 1914. On June 10, 1985, the Bank was reorganized into a bank holding company structure when substantially all of the common stock of the Bank was acquired by CNB Corporation in exchange for its own shares of common stock. In 1960, the Bank opened its first additional office at 1400 Third Avenue in Conway. Since that time, the following offices have been opened: Coastal Centre in Conway, Horry County, (1969); Surfside in Surfside Beach, Horry County, (1971); Northside, north of Myrtle Beach, Horry County, (1977); Red Hill in Conway, Horry County, (1981); Socastee, in the southern portion of Myrtle Beach, Horry County, (1986); Aynor in the Town of Aynor, Horry County, (1991), Myrtle Beach in the City of Myrtle Beach, Horry County, (1995), West Conway, in Conway, Horry County, (1998), Murrells Inlet in Murrells Inlet, Georgetown County, (2000) and North Myrtle Beach in the City of North Myrtle Beach, Horry County, (2002). The Surfside office was enlarged in 1977 and 1984, and the Coastal Centre office was expanded in 1980. The Third Avenue office, which houses the Bank's administrative offices and data processing facilities, was expanded in 1982 from 11,150 square feet to 33,616 square feet. The Third Avenue Office was converted into an Operations and Administration Building in 2004 in conjunction with the opening of a 24,000 square foot retail banking office, known as The Conway Banking Office, at the Bank’s principal site. The Bank employs approximately 232 full-time-equivalent employees at its Operations and Administration Building and twelve branch offices.

The Bank performs the full range of normal commercial banking functions. Some of the major services provided include checking accounts, NOW accounts, money market deposit accounts, IRA accounts, Health Savings Accounts, savings and time deposits of various types and loans to individuals for personal use, home mortgages, home improvement, automobiles, real estate, agricultural purposes and business needs. Commercial lending operations include various types of credit for business, industry, and agriculture. In addition, the Bank offers safe deposit boxes, wire transfer services, bank money orders, 24-hour teller machines on the STAR Network, internet banking, direct deposits and a MasterCard/Visa program. Through a correspondent relationship the Bank offers discount brokerage services. The Bank does not provide trust services; does not sell annuities; and does not sell mutual funds.

The majority of the Bank's customers are individuals and small to medium-sized businesses headquartered within the Bank's service area. The Bank has no material concentration of deposits from any single customer or group of customers. No significant portion of the Bank's loans is concentrated within a single industry or group of related industries. There are no material seasonal factors that would have any adverse effect on the Bank nor does the Bank rely on foreign sources of funds or income.

COMPETITION

The Bank actively competes with other institutions in Horry County and the Waccamaw Neck region of Georgetown County in providing customers with deposit, credit and other financial services. The principal competitors of the Bank include local offices of five regional banks, four state-wide banks, ten locally owned banks in Horry and Georgetown Counties and various other financial and thrift institutions. The regional banks are Bank of America, RBC Centura, Branch Bank and Trust, Carolina First Savings Bank, and Wachovia, N.A. The statewide banks are National Bank of South Carolina, First Citizens Bank and Trust Company, First Federal Savings Bank, and First Palmetto Savings Bank. The locally owned banks are Anderson Brothers Bank, Coastal Federal Savings Bank, Horry County State Bank, Sandhills Bank, Beach First National Bank, Plantation Federal Savings Bank, Carolina Bank and Trust, Citizens Bank of Olanta, Crescent Bank, and Sunbank, N.A. The Bank also competes with credit unions, money market funds, brokerage houses, insurance companies, mortgage companies, leasing companies, consumer finance companies and other financial institutions. Significant competitive factors include interest rates on loans and deposits, prices and fees for services, office location, customer service, community reputation, and continuity of personnel.

SUPERVISION AND REGULATION

General

The Company and the Bank are subject to an extensive collection of state and federal banking laws and regulations which impose specific requirements and restrictions on, and provide for general regulatory oversight with respect to, virtually all aspects of the Company's and the Bank's operations. The Company and the Bank are also affected by government monetary policy and by regulatory measures affecting the banking industry in general. The actions of the Federal Reserve System affect the money supply and, in general, the Bank's lending abilities in increasing or decreasing the cost and availability of funds to the Bank. Additionally, the Federal Reserve System regulates the availability of bank credit in order to combat recession and curb inflationary pressures in the economy by open market operations in United States government securities, changes in the discount rate on member bank borrowings, and changes in the reserve requirements against bank deposits.

The Company is also subject to limited regulation and supervision by the South Carolina State Board of Financial Institutions (the "State Board"). A South Carolina bank holding company may be required to provide the State Board with information with respect to the financial condition, operations, management and inter-company relationships of the holding company and its subsidiaries. The State Board also may require such other information as is necessary to keep itself informed about whether the provisions of South Carolina law and the regulations and orders issued thereunder by the State Board have been complied with, and the State Board may examine any bank holding company and its subsidiaries. Furthermore, pursuant to applicable law and regulations, the Company must receive approval of, or give notice to (as applicable) the State Board prior to engaging in the acquisition of banking or non-banking institutions or assets.

Obligations of Holding Company to its Subsidiary Banks

A number of obligations and restrictions are imposed on bank holding companies and their depository institution subsidiaries by Federal law and regulatory policies that are designed to reduce potential loss exposure to the depositors of such depository institutions and to the FDIC insurance funds in the event the depository institution is in danger of becoming insolvent or is insolvent. For example, under the policy of the Federal Reserve, a bank holding company is required to serve as a source of financial strength to its subsidiary depository institutions and to commit resources to support such institutions in circumstances where it might not do so absent such policy. In addition, the "cross-guarantee" provisions of the Federal Deposit Insurance Act, as amended ("FDIA"), require insured depository institutions under common control to reimburse the FDIC for any loss suffered or reasonably anticipated by either the Savings Association Insurance Fund ("SAIF") or the Bank Insurance Fund ("BIF") of the FDIC as a result of the default of a commonly controlled insured depository institution or for any assistance provided by the FDIC to a commonly controlled insured depository institution in danger of default. The FDIC may decline to enforce the cross-guarantee provisions if it determines that a waiver is in the best interest of the SAIF or the BIF or both. The FDIC's claim for damages is superior to claims of stockholders of the insured depository institution or its holding company but is subordinate to claims of depositors, secured creditors and holders of subordinated debt (other than affiliates) of the commonly controlled insured depository institutions.

The FDIA also provides that amounts received from the liquidation or other resolution of any insured depository institution by any receiver must be distributed (after payment of secured claims) to pay the deposit liabilities of the institution prior to payment of any other general or unsecured senior liability, subordinated liability, general creditor or stockholder. This provision gives depositors a preference over general and subordinated creditors and stockholders in the event a receiver is appointed to distribute the assets of the bank.

Any capital loans by a bank holding company to any of its subsidiary banks are subordinate in right of payment to deposits and to certain other indebtedness of such subsidiary bank. In the event of a bank holding company's bankruptcy, any commitment by the bank holding company to a federal bank regulatory agency to maintain the capital of a subsidiary bank will be assumed by the bankruptcy trustee and entitled to a priority of payment.

Under the National Bank Act, if the capital stock of a national bank is impaired by losses or otherwise, the OCC is authorized to require payment of the deficiency by assessment upon the bank's shareholders, pro rata, and to the extent necessary, if any such assessment is not paid by any shareholder after three months notice, to sell the stock of such shareholder to make good the deficiency.

Capital Adequacy Guidelines for Bank Holding Companies and Banks

The various federal bank regulators, including the Federal Reserve and the FDIC, have adopted risk-based and leverage capital adequacy guidelines assessing bank holding company and bank capital adequacy. These standards define what qualifies as capital and establish minimum capital standards in relation to assets and off-balance-sheet exposures, as adjusted for credit risks. The capital guidelines and the Company's capital position are summarized in Note 15 to the Financial Statements, contained elsewhere in this report. The Bank is considered well capitalized.

Failure to meet capital guidelines could subject the Bank to a variety of enforcement remedies, including the termination of deposit insurance by the FDIC and a prohibition on the taking of brokered deposits.

The risk-based capital standards of both the Federal Reserve Board and the FDIC explicitly identify concentrations of credit risk and the risk arising from non-traditional activities, as well as an institution's ability to manage these risks, as important factors to be taken into account by the agencies in assessing an institution's overall capital adequacy. The capital guidelines also provide that an institution's exposure to a decline in the economic value of its capital due to changes in interest rates be considered by the agencies as a factor in evaluating a bank's capital adequacy. The Federal Reserve Board also has recently issued additional capital guidelines for bank holding companies that engage in certain trading activities.

Payment of Dividends

The Company is a legal entity separate and distinct from the Bank. Most of the revenues of the Company result from dividends paid to the Company by the Bank. There are statutory and regulatory requirements applicable to the payment of dividends by subsidiary banks as well as by the Company to its shareholders.

Each national banking association is required by federal law to obtain the prior approval of the OCC for the payment of dividends if the total of all dividends declared by the board of directors of such bank in any year will exceed the total of (i) such bank's net profits (as defined and interpreted by regulation) for that year plus (ii) the retained net profits (as defined and interpreted by regulation) for the preceding two years, less any required transfers to surplus. In addition, national banks can only pay dividends to the extent that retained net profits (including the portion transferred to surplus) exceed bad debts (as defined by regulation).

The payment of dividends by the Company and the Bank may also be affected or limited by other factors, such as the requirements to maintain adequate capital above regulatory guidelines. In addition, if, in the opinion of the applicable regulatory authority, a bank under its jurisdiction is engaged in or is about to engage in an unsafe or unsound practice (which, depending on the financial condition of the Bank, could include the payment of dividends), such authority may require, after notice and hearing, that such bank cease and desist from such practice. The OCC has indicated that paying dividends that deplete a national bank's capital base to an inadequate level would be an unsafe and unsound banking practice. The Federal Reserve, the OCC and the FDIC have issued policy statements, which provide that bank holding companies and insured banks should generally only pay dividends out of current operating earnings.

Certain Transactions by the Company with its Affiliates

Federal law regulates transactions among the Company and its affiliates, including the amount of the Bank's loans to or investments in nonblank affiliates and the amount of advances to third parties collateralized by securities of an affiliate. Further, a bank holding company and its affiliates are prohibited from engaging in certain tie-in arrangements in connection with any extension of credit, lease or sale of property or furnishing of services.

FDIC Insurance Assessments

Because the Bank's deposits are insured by the Bank Insurance Fund of the FDIC ("BIF"), the Bank is subject to semiannual insurance assessments imposed by the FDIC. Since January 1, 1997, the assessments imposed on all FDIC deposits for deposit insurance have an effective rate ranging from 0 to 27 basis points per $100 of insured deposits, depending on the institution's capital position and other supervisory factors. However, legislation enacted in 1996 requires that both Savings Association Insurance Fund ("SAIF") insured and BIF insured deposits pay a pro rata portion of the interest due on the obligations issued by the Financing Corporation ("FICO"). The FICO assessment is adjusted quarterly to reflect changes in the assessment bases of the respective funds based on quarterly Call Report and Thrift Financial Report submissions.

Regulation of the Bank

The Bank is also subject to regulation and examination by the OCC bank examiners. In addition, the Bank is subject to various other state and federal laws and regulations, including state usury laws, laws relating to fiduciaries, consumer credit laws and laws relating to branch banking. The Bank's loan operations are subject to certain federal consumer credit laws and regulations promulgated thereunder, including, but not limited to: the federal Truth-In-Lending Act, governing disclosures of credit terms to consumer borrowers; the Home Mortgage Disclosure Act, requiring financial institutions to provide certain information concerning their mortgage lending; the Equal Credit Opportunity Act and the Fair Housing Act, prohibiting discrimination on the basis of certain prohibited factors in extending credit; the Fair Credit Reporting Act, governing the use and provision of information to credit reporting agencies; the Bank Secrecy Act, dealing with among other things, the reporting of certain currency transactions; and the Fair Debt Collection Act, governing the manner in which consumer debts may be collected by collection agencies. The deposit operations of the Bank are subject to the Truth in Savings Act, requiring certain disclosures about rates paid on savings accounts; the Expedited Funds Availability Act, which deals with disclosure of the availability of funds deposited in accounts and the collection and return of checks by banks; the Right to Financial Privacy Act, which imposes a duty to maintain certain confidentiality of consumer financial records and the Electronic Funds Transfer Act and regulations promulgated thereunder, which govern automatic deposits to and withdrawals from deposit accounts and customers' rights and liabilities arising from the use of automated teller machines and other electronic banking services. The Bank is subject to the requirements of the Community Reinvestment Act (the "CRA").

The CRA imposes on financial institutions an affirmative and ongoing obligation to meet the credit needs of their local communities, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of those institutions. Each financial institution’s actual performance in meeting community credit needs is evaluated as part of the examination process, and also is considered in evaluating mergers, acquisitions and applications to open a branch or facility.

Other Safety and Soundness Regulations

Prompt Corrective Action. The federal banking agencies have broad powers under current federal law to take prompt corrective action to resolve problems of insured depository institutions. The extent of these powers depends upon whether the institutions in question are “well capitalized,” “adequately capitalized,” “undercapitalized,” “significantly undercapitalized” or “critically undercapitalized.”

A bank that is “undercapitalized” becomes subject to provisions of the Federal Deposit Insurance Act restricting payment of capital distributions and management fees; requiring the OCC to monitor the condition of the bank; requiring submission by the bank of a capital restoration plan; restricting the growth of the bank’s assets and requiring prior approval of certain expansion proposals. A bank that is “significantly undercapitalized” is also subject to restrictions on compensation paid to senior management of the bank, and a bank that is “critically undercapitalized” is further subject to restrictions on the activities of the bank and restrictions on payments of subordinated debt of the bank. The purpose of these provisions is to require banks with less than adequate capital to act quickly to restore their capital and to have the OCC move promptly to take over banks that are unwilling or unable to take such steps.

Brokered Deposits. Under current FDIC regulations, “well-capitalized” banks may accept brokered deposits without restriction, “adequately capitalized” banks may accept brokered deposits with a waiver from the FDIC (subject to certain restrictions on payments of rates), while “undercapitalized” banks may not accept brokered deposits. The regulations provide that the definitions of “well capitalized”, “adequately capitalized” and “undercapitalized” are the same as the definitions adopted by the agencies to implement the prompt corrective action provisions described in the previous paragraph.

Interstate Banking

Under the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (“Riegle-Neal”), the Company and any other adequately capitalized bank holding company located in South Carolina can acquire a bank located in any other state, and a bank holding company located outside South Carolina can acquire any South Carolina-based bank, in either case subject to certain deposit percentage and other restrictions. Riegle-Neal also provides that, in any state that has not previously elected to prohibit out-of-state banks from operating interstate branches within its territory, adequately capitalized and managed bank holding companies can consolidate their multistate bank operations into a single bank subsidiary and branch interstate through acquisitions. De novo branching by an out-of-state bank is permitted only if it is expressly permitted by the laws of the host state. The authority of a bank to establish and operate branches within a state will continue to be subject to applicable state branching laws. South Carolina law was amended, effective July 1, 1996, to permit such interstate branching but not de novo branching by an out-of-state bank.

The Riegle-Neal Act, together with legislation adopted in South Carolina, resulted in a number of South Carolina banks being acquired by large out-of-state bank holding companies. Size gives the larger banks certain advantages in competing for business from larger customers. These advantages include higher lending limits and the ability to offer services in other areas of South Carolina and the region. As a result, the Bank does not generally attempt to compete for the banking relationships of large corporations, but concentrates its efforts on small to medium-sized businesses and on individuals. The Company believes the Bank has competed effectively in this market segment by offering quality, personal service.

Gramm-Leach-Bliley Act

The Gramm-Leach-Bliley Act, which makes it easier for affiliations between banks, securities firms and insurance companies to take place, became effective in March 2000. The Act removes Depression-era barriers that had separated banks and securities firms, and seeks to protect the privacy of consumers' financial information.

Under provisions of the legislation and regulations adopted by the appropriate regulators, banks, securities firms and insurance companies are able to structure new affiliations through a holding company structure or through a financial subsidiary. The legislation creates a new type of bank holding company called a "financial holding company" which has powers much more extensive than those of standard holding companies. These expanded powers include authority to engage in "financial activities," which are activities that are (1) financial in nature; (2) incidental to activities that are financial in nature; or (3) complementary to a financial activity and that do not impose a safety and soundness risk. Significantly, the permitted financial activities for financial holding companies include authority to engage in merchant banking and insurance activities, including insurance portfolio investing. A bank holding company can qualify as a financial holding company and expand the services it offers only if all of its subsidiary depository institutions are well-managed, well-capitalized and have received a rating of "satisfactory" on their last Community Reinvestment Act examination.

The legislation also creates another new type of entity called a "financial subsidiary." A financial subsidiary may be used by a national bank or a group of national banks to engage in many of the same activities permitted for a financial holding company, though several of these activities, including real estate development or investment, insurance or annuity underwriting, insurance portfolio investing and merchant banking, are reserved for financial holding companies. A bank's investment in a financial subsidiary affects the way in which the bank calculates its regulatory capital, and the assets and liabilities of financial subsidiaries may not be consolidated with those of the bank. The bank must also be certain that its risk management procedures are adequate to protect it from financial and operational risks created both by itself and by any financial subsidiary. Further, the bank must establish policies to maintain the separate corporate identities of the bank and its financial subsidiary and to prevent each from becoming liable for the obligations of the other.

The Act also establishes the concept of "functional supervision," meaning that similar activities should be regulated by the same regulator. Accordingly, the Act spells out the regulatory authority of the bank regulatory agencies, the Securities and Exchange Commission and state insurance regulators so that each type of activity is supervised by a regulator with corresponding expertise. The Federal Reserve Board is intended to be an umbrella supervisor with the authority to require a bank holding company or financial holding company or any subsidiary of either to file reports as to its financial condition, risk management systems, transactions with depository institution subsidiaries and affiliates, and compliance with any federal law that it has authority to enforce.

Although the Act reaffirms that states are the regulators for insurance activities of all persons, including federally-chartered banks, the Act prohibits states from preventing depository institutions and their affiliates from conducting insurance activities.

The Act also establishes a minimum federal standard of privacy to protect the confidentiality of a consumer's personal financial information and gives the consumer the power to choose how personal financial information may be used by financial institutions.

The Act and the regulations adopted pursuant to the Act create new opportunities for the Company to offer expanded services to customers in the future, though the Company has not yet determined what the nature of the expanded services might be or when the Company might find it feasible to offer them. The Act has increased competition from larger financial institutions that are currently more capable than the Company of taking advantage of the opportunity to provide a broader range of services. However, the Company continues to believe that its commitment to providing high quality, personalized service to customers will permit it to remain competitive in its market area.

Sarbanes-Oxley Act of 2002

The Sarbanes-Oxley Act was signed into law on July 30, 2002, and mandated extensive reforms and requirements for public companies. The SEC has adopted extensive new regulations pursuant to the requirements of the Sarbanes-Oxley Act. The Sarbanes-Oxley Act and the SEC's new regulations have increased the Company's cost of doing business, particularly its fees for internal and external audit services and legal services, and the law and regulations are expected to continue to do so. However, the Company does not believe that it will be affected by Sarbanes-Oxley and the new SEC regulations in ways that are materially different or more onerous than those of other public companies of similar size and in similar business.

Legislative Proposals

Legislation which could significantly affect the business of banking is introduced in Congress from time to time. The Company cannot predict the future course of such legislative proposals or their impact on the Company should they be adopted.

SUPPLEMENTARY FINANCIAL DATA
GUIDE 3. STATISTICAL DISCLOSURE BY BANK HOLDING COMPANIES

The following tables present additional statistical information about CNB Corporation and its operation and financial condition and should be read in conjunction with the consolidated financial statements and related notes thereto contained elsewhere in this report.

DISTRIBUTION OF ASSETS, LIABILITIES, AND STOCKHOLDERS' EQUITY: INTEREST RATES AND INTEREST DIFFERENTIAL

The tables on the following 3 pages present selected financial data and an analysis of average balance sheets, average yield and the interest earned on earning assets, and the average rate paid and the interest expense on interest-bearing liabilities for the years ended December 31, 2004, 2003, and 2002.

CNB Corporation and Subsidiary
Average Balances, Yields and Rates
(Dollars in Thousands)

	Twelve Months Ended 12/31/04		
	Average Balance	Interest Income/ Expense(1)	Avg.Annual Yield or Rate
Assets:			
Earning assets:			
Loans	$386,899	$ 24,351	6.29%
Investment securities:			
Taxable	174,016	6,656	3.83
Tax-exempt	23,832	1,450	6.08
Federal funds sold and securities purchased under agreement to resell	25,732	327	1.27
Total earning assets	$610,479	$32,784	5.37
Other assets	47,166		
Total assets	$657,645		
Liabilities and stockholder equity:			
Interest-bearing liabilities:			
Interest-bearing deposits	$437,390	$ 6,578	1.50
Federal funds purchased and securities sold under agreement to repurchase	29,251	348	1.19
Other short-term borrowings	1,097	12	1.09
Total interest-bearing liabilities	$467,738	$ 6,938	1.48
Noninterest-bearing deposits	118,149		
Other liabilities	4,058		
Stockholders' equity	67,700		
Total liabilities and stockholders' equity	$657,645		
Net interest income as a percent of total earning assets	$610,479	$ 25,846	4.23%

(1) Tax-equivalent adjustment based on a 34% tax rate $ 493

Ratios:	
Annualized return on average total assets	1.26%
Annualized return on average stockholders' equity	12.23
Cash dividends declared as a percent of net income	40.47
Average stockholders' equity as a percent of:	
Average total assets	10.29
Average total deposits	12.19
Average loans	17.50
Average earning assets as a percent of average total assets	92.83%

(2) The Company had no out-of-period adjustments or foreign activities. Loan fees of $426 are included in the above interest income. Loans on a non-accrual basis for the recognition of interest income totalling $880 as of December 31, 2004 are included in loans for purpose of this analysis.

CNB Corporation and Subsidiary
Average Balances, Yields and Rates
(Dollars in Thousands)

	Twelve Months Ended 12/31/03		
	Average Balance	Interest Income/ Expense(1)	Avg.Annual Yield or Rate
Assets:			
Earning assets:			
Loans	$346,110	$ 22,565	6.52%
Investment securities:			
Taxable	156,783	6,623	4.22
Tax-exempt	25,375	1,564	6.16
Federal funds sold and securities purchased under agreement to resell	24,111	246	1.02
Total earning assets	$552,379	$30,998	5.61
Other assets	40,292		
Total assets	$592,671		
Liabilities and stockholder equity:			
Interest-bearing liabilities:			
Interest-bearing deposits	$391,856	$ 6,877	1.75
Federal funds purchased and securities sold under agreement to repurchase	28,752	334	1.16
Other short-term borrowings	1,389	13	.94
Total interest-bearing liabilities	$421,997	$ 7,224	1.71
Noninterest-bearing deposits	101,310		
Other liabilities	4,714		
Stockholders' equity	64,650		
Total liabilities and stockholders' equity	$592,671		
Net interest income as a percent of total earning assets	$552,379	$ 23,774	4.30%
(1) Tax-equivalent adjustment based on a 34% tax rate		$ 532	

Ratios:	
Annualized return on average total assets	1.29%
Annualized return on average stockholders' equity	11.86
Cash dividends declared as a percent of net income	37.44
Average stockholders' equity as a percent of:	
Average total assets	10.91
Average total deposits	13.11
Average loans	18.68
Average earning assets as a percent of average total assets	93.20%

2) The Company had no out-of-period adjustments or foreign activities. Loan fees of $282 are included in the above interest income. Loans on a non-accrual basis for the recognition of interest income totalling $351 as of December 31, 2003 are included in loans for purpose of this analysis.

CNB Corporation and Subsidiary
Average Balances, Yields and Rates
(Dollars in Thousands)

	Twelve Months Ended 12/31/02		
	Average Balance	Interest Income/ Expense(1)	Avg.Annual Yield or Rate
Assets:			
Earning assets:			
Loans, net of unearned income	$309,351	$ 22,343	7.22%
Investment securities:			
Taxable	150,050	7,493	4.99
Tax-exempt	26,734	1,714	6.41
Federal funds sold and securities purchased under agreement to resell	23,970	377	1.57
Total earning assets	$510,105	$31,927	6.26
Other assets	36,512		
Total assets	$546,617		
Liabilities and stockholder equity:			
Interest-bearing liabilities:			
Interest-bearing deposits	$361,907	$ 8,458	2.34
Federal funds purchased and securities sold under agreement to repurchase	27,962	495	1.77
Other short-term borrowings	3,160	115	3.64
Total interest-bearing liabilities	$393,029	$ 9,068	2.31
Noninterest-bearing deposits	90,431		
Other liabilities	4,260		
Stockholders' equity	58,897		
Total liabilities and stockholders' equity	$546,617		
Net interest income as a percent of total earning assets	$510,105	$ 22,859	4.48%
(1) Tax-equivalent adjustment based on a 34% tax rate		$ 583	

Ratios:

Annualized return on average total assets	1.31%
Annualized return on average stockholders' equity	12.19
Cash dividends declared as a percent of net income	37.45
Average stockholders' equity as a percent of:	
Average total assets	10.77
Average total deposits	13.02
Average loans, net of unearned income	19.04
Average earning assets as a percent of average total assets	93.32%

(2) The Company had no out-of-period adjustments or foreign activities. Loan fees of $284 are included in the above interest income. Loans on a non-accrual basis for the recognition of interest income totalling $697 as of December 31, 2002 are included in loans, net of unearned income, for purpose of this analysis.

The table "Rate/Volume Variance Analysis" provides a summary of changes in net interest income resulting from changes in volume and changes in rate. The changes in volume are the difference between the current and prior year's balances multiplied by the prior year's rate. The changes in rate are the difference between the current and prior year's rate multiplied by the prior year's balance.

CNB Corporation and Subsidiary
Rate/Volume Variance Analysis
For the Twelve Months Ended December 31, 2004 and 2003
(Dollars in Thousands)

	Average Volume 2004	Average Volume 2003	Yield/Rate 2004 (1)	Yield/Rate 2003 (1)	Interest Earned/Paid 2004 (1)	Interest Earned/Paid 2003 (1)	Variance	Change Due to Rate	Change Due to Volume	Change Due to Rate X Volume
Earning Assets:										
Loans, Net of unearned income (2)	$386,899	$346,110	6.29%	6.52%	$24,351	$22,565	1,786	$(796)	$2,659	$ (77)
Investment securities:										
Taxable	174,016	156,783	3.83%	4.22%	6,656	6,623	33	(611)	727	(83)
Tax-exempt	23,832	25,375	6.08%	6.16%	1,450	1,564	(114)	(20)	(95)	1
Federal funds sold and securities purchased under agreement to resell	25,732	24,111	1.27%	1.02%	327	246	81	60	17	4
Total Earning Assets	$610,479	$552,379	5.37%	5.61%	$32,784	$30,998	$ 1,786	$(1,367)	$3,308	$(155)
Interest-bearing Liabilities:										
Interest-bearing deposits	$437,390	$391,856	1.50%	1.75%	$ 6,578	$ 6,877	$ (299)	$ (980)	$ 797	$(116)
Federal funds purchased and securities sold under agreement to repurchase	29,251	28,752	1.19%	1.16%	348	334	14	8	6	-
Other short-term borrowings	1,097	1,389	1.09%	.94%	12	13	(1)	2	(3)	-
Total Interest-bearing Liabilities	467,738	421,997	1.48%	1.71%	6,938	7,224	(286)	(970)	800	(116)
Interest-free Funds Supporting Earning Assets	142,741	130,382								
Total Funds Supporting Earning Assets	$610,479	$552,379	1.14%	1.31%	$ 6,938	$ 7,224	$ (286)	$ (970)	$ 800	$(116)
Interest Rate Spread			3.89%	3.90%						
Impact of Non-interest-bearing Funds on Net Yield on Earning Assets			.34%	.40%						
Net Yield on Earning Assets			4.23%	4.30%	$25,846	$23,774				

(1) Tax-equivalent adjustment based on a 34% tax rate.
(2) Includes non-accruing loans which does not have a material effect on the Net Yield on Earning Assets.

CNB Corporation and Subsidiary
Rate/Volume Variance Analysis
For the Twelve Months Ended December 31, 2003 and 2002
(Dollars in Thousands)

	Average Volume 2003	Average Volume 2002	Yield/Rate 2003 (1)	Yield/Rate 2002 (1)	Interest Earned/Paid 2003 (1)	Interest Earned/Paid 2002 (1)	Variance	Change Due to Rate	Change Due to Volume	Change Due to Rate X Volume
Earning Assets:										
Loans, Net of unearned income (2)	$346,110	$309,351	6.52%	7.22%	$22,565	$22,343	222	$(2,165)	$2,654	$(267)
Investment securities:										
Taxable	156,783	150,050	4.22%	4.99%	6,623	7,493	(870)	(1,155)	336	(51)
Tax-exempt	25,375	26,734	6.16%	6.41%	1,564	1,714	(150)	(67)	(87)	4
Federal funds sold and securities purchased under agreement to resell	24,111	23,970	1.02%	1.57%	246	377	(131)	(132)	2	(1)
Total Earning Assets	$552,379	$510,105	5.61%	6.26%	$30,998	$31,927	$ (929)	$(3,519)	$2,905	$(315)
Interest-bearing Liabilities:										
Interest-bearing deposits	$391,856	$361,907	1.75%	2.34%	$ 6,877	$ 8,458	$(1,581)	$(2,135)	$ 701	$(147)
Federal funds purchased and securities sold under agreement to repurchase	28,752	27,962	1.16%	1.77%	334	495	(161)	(171)	14	(4)
Other short-term borrowings	1,389	3,160	.94%	3.64%	13	115	(102)	(85)	(64)	47
Total Interest-bearing Liabilities	421,997	393,029	1.71%	2.31%	7,224	9,068	(1,844)	(2,391)	651	(104)
Interest-free Funds Supporting Earning Assets	130,382	117,076								
Total Funds Supporting Earning Assets	$552,379	$510,105	1.31%	1.78%	$ 7,224	$ 9,068	$(1,844)	$(2,391)	$ 651	$(104)
Interest Rate Spread			3.90%	3.95%						
Impact of Non-interest-bearing Funds on Net Yield on Earning Assets			.40%	.53%						
Net Yield on Earning Assets			4.30%	4.48%	$23,774	$22,859				

(1) Tax-equivalent adjustment based on a 34% tax rate.
(2) Includes non-accruing loans which does not have a material effect on the Net Yield on Earning Assets.

INVESTMENT SECURITIES

The goal of the investment policy of the Bank is to provide for management of the investment securities portfolio in a manner designed to maximize portfolio yield over the long term consistent with liquidity needs, pledging requirements, asset/liability strategies, and safety/soundness concerns. Specific investment objectives include the desire to: provide adequate liquidity for loan demand, deposit fluctuations, and other changes in balance sheet mix; manage interest rate risk; maximize the institution's overall return; provide availability of collateral for pledging; and manage asset-quality diversification of the bank's assets. During 2003 and 2004, investment securities remained at 32% as a percentage of total assets. Loan demand remained solid throughout 2003 and 2004 due to relatively low interest rates and increasing real estate activity. At December 31, 2004 and 2003, the Loans/Total Assets ratios were 60.6% and 60.3%, respectively, as compared to 57.2% at December 31, 2002. Investment securities and federal funds sold have correspondingly risen and fallen as a percentage of total assets.

Investment securities with a par value of $99,580,000; $85,195,000 and $79,880,000 at December 31, 2004, 2003, and 2002, respectively, were pledged to secure public deposits and for other purposes required by law.

The following summaries reflect the book value, unrealized gains and losses, approximate market value, and tax-equivalent yields on investment securities at December 31, 2004, 2003, and 2002.

	December 31, 2004 (Dollars in Thousands)				
	Book	Unrealized		Fair	
AVAILABLE FOR SALE	Value	Gains	Losses	Value	Yield(1)
Federal agencies					
Within one year	$ 22,082	$ 354	$ -	$ 22,436	5.33%
One to five years	167,860	883	799	167,944	3.56%
	189,942	1,237	799	190,380	3.76%
State, county and municipal					
Within one year	480	1	-	481	5.33%
One to five years	11,780	450	-	12,230	5.85%
Six to ten years	5,234	374	-	5,608	6.91%
	17,494	825	-	18,319	6.16%
Mortgage Backed					
Over ten years	1,013	-	40	973	3.62%
Other restricted CRA Qualified Investment Fund	322	-	-	322	-%
Total available for sale	$208,771	$ 2,062	$ 839	$209,994	3.96%
HELD TO MATURITY					
State, county and municipal	400	4	-	404	7.49%
Within one year	3,477	187	-	3,664	7.24%
One to five years	642	55	-	697	7.25%
Six to ten years	4,519	246	-	4,765	7.27%
Total held to maturity	$ 4,519	$ 246	$ -	$ 4,765	7.27%

Tax equivalent adjustment based on a 34% tax rate.

As of the quarter ended December 31, 2004, the Bank did not hold any securities of an issuer that exceeded 10% of stockholders' equity.

	December 31, 2003 (Dollars in Thousands)				
AVAILABLE FOR SALE	Book Value	Unrealized Gains	Unrealized Losses	Fair Value	Yield(1)
Federal agencies					
Within one year	$ 8,809	$ 174	$ -	$ 8,983	4.36%
One to five years	149,917	3,484	273	153,128	4.00%
	158,726	3,658	273	162,111	4.02%
State, county and municipal					
Within one year	185	1	-	186	7.03%
One to five years	10,283	522	-	10,805	5.68%
Six to ten years	6,961	492	-	7,453	6.81%
Over ten years	288	4	-	292	5.92%
	17,717	1,019	-	18,736	6.14%
Mortgage Backed					
Over ten years	1,071	-	19	1,052	3.59%
Other restricted CRA Qualified Investment Fund	311	-	-	311	-%
Total available for sale	$177,825	$ 4,677	$ 292	$182,210	4.23%
HELD TO MATURITY					
Federal agencies					
Within one year	$ 2,000	$ 55	$ -	$ 2,055	6.44%
State, county and municipal					
Within one year	1,562	30	-	1,592	6.98%
One to five years	3,086	227	-	3,313	7.40%
Six to ten years	1,433	123	-	1,556	6.97%
	6,081	380	-	6,461	7.19%
Total held to maturity	$ 8,081	$ 435	$ -	$ 8,516	7.01%

(1) Tax equivalent adjustment based on a 34% tax rate.

As of the quarter ended December 31, 2003, the Bank did not hold any securities of an issuer that exceeded 10% of stockholders' equity.

AVAILABLE FOR SALE	Book Value	Unrealized Gains	Unrealized Losses	Fair Value	Yield(1)
	December 31, 2002 (Dollars in Thousands)				
Federal agencies					
Within one year	$ 9,448	$ 230	$ -	$ 9,678	5.89%
One to five years	122,681	4,885	-	127,566	4.80%
Six to ten years	10,000	567	-	10,567	5.96%
	142,129	5,682	-	147,811	4.96%
State, county and municipal					
One to five years	8,192	340	-	8,532	5.22%
Six to ten years	8,722	551	-	9,273	6.40%
	16,914	891	-	17,805	5.83%
Other restricted CRA Qualified Investment Fund	298	-	-	298	-%
Total available for sale	$159,341	$ 6,573	$ -	$165,914	5.05%
HELD TO MATURITY					
Federal agencies					
Within one year	$ 2,000	$ 8	$ -	$ 2,008	6.38%
One to five years	2,002	131	-	2,133	6.44%
	4,002	139	-	4,141	6.41%
State, county and municipal					
Within one year	2,675	36	-	2,711	6.18%
One to five years	4,592	296	-	4,888	6.70%
Six to ten years	1,836	126	-	1,962	6.60%
	9,103	458	-	9,561	6.53%
Total held to maturity	$ 13,105	$ 597	$ -	$ 13,702	6.49%

(1) Tax equivalent adjustment based on a 34% tax rate.

As of the quarter ended December 31, 2002, the Bank did not hold any securities of an issuer that exceeded 10% of stockholders' equity.

LOAN PORTFOLIO

LENDING ACTIVITIES

The Company engages, through the Bank, in a full compliment of lending activities, including commercial, consumer, installment and real estate loans.

Real Estate Loans

One of the primary components of the Bank's loan portfolio are loans secured by first or second mortgages on residential and commercial real estate. These loans will generally consist of commercial real estate loans, construction and development loans and residential real estate loans (including home equity and second mortgage loans). Interest rates may be fixed or adjustable. The bank seeks to manage credit risk in the commercial real estate portfolio by emphasizing loans on owner-occupied office and retail buildings where the loan-to-value ratio, established by independent appraisals, generally does not exceed 80%. In addition, the Bank typically requires personal guarantees of the principal owners of the property. The Bank may also facilitate mortgage loans for sale into the secondary market, earning a fee, but avoiding the interest rate risk of holding long-term, fixed-rate loans. The principal economic risk associated with all loans, including real estate loans, is the creditworthiness of the Bank's borrowers. The ability of a borrower to repay a real estate loan will depend upon a number of economic factors, including employment levels and fluctuations in the value of real estate. In the case of a real estate construction loan, there is generally no income from the underlying property during the construction period, borrowings may exceed the current value of the improvements to the property, and the developer's personal obligations under the loan may be limited. Each of these factors increases the risk of nonpayment by the borrower. In the case of a real estate purchase loan, the borrower may be unable to repay the loan at the end of the loan term and may thus be forced to refinance the loan at a higher interest rate, or, in certain cases, the borrower may default as a result of its inability to refinance the loan. In either case, the risk of nonpayment by the borrower is increased. The Bank will also face additional credit risks to the extent that it engages in making adjustable rate mortgage loans ("ARMs"). In the case of an ARM, as interest rates increase, the borrower's required payments increase periodically, thus increasing the potential for default. The marketability of all real estate loans, including ARMs, is also generally affected by the prevailing level of interest rates.

Commercial Loans

The Bank makes loans for commercial purposes in various lines of business. The commercial loans will include both secured and unsecured loans for working capital (including inventory and receivables), loans for business expansion (including acquisition of real estate and improvements), and loans for purchases of equipment. When taken, security usually consists of liens on inventories, receivables, equipment, and furniture and fixtures. Unsecured business loans are generally short-term with emphasis on repayment strengths and low debt-to-worth ratios. Commercial lending involves significant risk because repayment usually depends on the cash flows generated by a borrower’s business, and debt service capacity can deteriorate because of downturns in national and local economic conditions. Management generally controls risks by conducting more in-depth and ongoing financial analysis of a borrower’s cash flows and other financial information.

LENDING ACTIVITIES (Continued)

Consumer Loans

The Bank makes a variety of loans to individuals for personal and household purposes, including secured and unsecured installment and term loans, home equity loans and lines of credit and unsecured revolving lines of credit such as credit cards. The secured installment and term loans to consumers will generally consist of loans to purchase automobiles, boats, recreational vehicles, mobile homes and household furnishings, with the collateral for each loan being the purchased property. The underwriting criteria for home equity loans will generally be the same as applied by the Bank when making a first mortgage loan, as described above, but more restrictive for home equity lines of credit. Consumer loans generally involve more credit risks than other loans because of the type and nature of the underlying collateral or because of the absence of any collateral. Consumer loan repayments are dependent on the borrower's continuing financial stability and are likely to be adversely affected by job loss, divorce and illness. Furthermore, the application of various federal and state laws, including federal and state bankruptcy and insolvency laws, may limit the amount which can be recovered on such loans in the case of default. In most cases, any repossessed collateral will not provide an adequate source of repayment of the outstanding loan balance. Although the underwriting process for consumer loans includes a comparison of the value of the security, if any, to the proposed loan amount, the Bank cannot predict the extent to which the borrower's ability to pay, and the value of the security, will be affected by prevailing economic and other conditions.

Loan Approval and Review

The Bank's loan approval policies provide for various levels of officer lending authority. When the amount of aggregate loans to a single borrower exceeds an individual officer's lending authority, the loan request will be considered and approved by an officer with a higher lending limit or by the Credit Committee as established by the Board of Directors. The Loan Committee of the Board of Directors determines the lending limits for the Bank's loan officers. The Bank has an in-house lending limit to a single borrower of 10% of capital. An unsecured limit (aggregate) for the Bank is set at 100% of total capital.

CLASSIFICATION OF LOANS

The following is a summary of loans, in thousands of dollars, at December 31, 2004, 2003, 2002, 2001, and 2000 by major classification:

	2004	2003	2002	2001	2000
Real Estate Loans - mortgage	$262,543	$228,556	$214,554	$187,808	$191,329
- construction	39,525	44,099	28,297	28,324	20,590
Loans to farmers	1,582	1,537	1,674	1,316	1,376
Commercial and industrial loans	66,184	53,559	47,631	44,351	45,929
Loans to individuals for household family and other consumer expenditures	35,583	32,884	31,953	32,015	34,775
All other loans, including Overdrafts	1,566	1,399	1,513	2,800	1,698
Gross Loans	406,983	362,034	325,622	296,614	295,697
Less unearned income	0	0	0	(7)	(49)
Less reserve for loan losses	(5,104)	(4,524)	(4,155)	(3,763)	(3,782)
Net loans	$401,879	$357,510	$321,467	$292,844	$291,866

MATURITIES AND SENSITIVITY OF LOANS TO CHANGES IN INTEREST RATES
(Thousands of Dollars)

The Company's loan portfolio contained approximately $286,918 and $248,691 in fixed rate loans as of December 31, 2004 and 2003, respectively. At December 31, 2004, and 2003, fixed rate loans with maturities in excess of one year amounted to approximately $228,454 and $196,337, respectively. As of December 31, 2004, fixed rate loans due after one year through five years totaled $156,640 and fixed rate loans due after five years totaled $71,814. Variable rate loans due after one year totaled $55,122. Variable rate loans are those on which the interest rate can be adjusted to changes in the Bank's prime rate. Fixed rate loans are those on which the interest rate generally cannot be changed for the term of the loan.

NONACCRUAL, PAST DUE AND RESTRUCTURED LOANS

The following schedule summarizes the amount of nonaccrual, past due, and restructured loans, in thousands of dollars, for the periods ended December 2004, 2003, 2002, 2001, and 2000:

	2004	2003	2002	2001	2000
Nonaccrual loans	$ 880	$ 351	$ 697	$ 633	$ 305
Accruing loans which are contractually past due 90 days or more as to principal or interest payments	$ 93	$ 130	$ 118	$ 138	$ 189
Restructured troubled debt	None	None	None	None	None

Information relating to interest income on nonaccrual and renegotiated loans outstanding for the year ended December 31, 2004, 2003, and 2002 is as follows:

	2004	2003	2002
Interest included in income during the year	$ 28	$ 9	$ 19
Interest which would have been included at the original contract rates	$ 69	$ 26	$ 63

Accruing loans which are contractually past due 90 days or more are graded substandard within the Bank's internal loan grading system and come under heightened scrutiny. Typically, a loan will not remain in the 90 days past due category, but will either show improvement or migrate to non-accrual loans. Loans are placed in a non-accrual status when, in the opinion of management, the collection of additional interest is questionable. Thereafter no interest is taken into income unless received in cash or until such time as the borrower demonstrates the ability to pay principal and interest.

POTENTIAL PROBLEM LOANS

In addition to those loans disclosed under "Nonaccrual, Past Due, and Restructured Loans", there are certain loans in the portfolio which are presently current but about which management has concerns regarding the ability of the borrower to comply with present loan repayment terms. Management maintains a loan review of the total loan portfolio to identify loans where there is concern that the borrower will not be able to continue to satisfy present loan repayment terms. Such problem loan identification includes the review of individual loans, loss experience, and economic conditions. Problem loans include both current and past due loans.

As of December 31, 2004, loans which management had serious concerns about the borrower being able to repay were put into non-accrual status and are disclosed under "Nonaccrual, Past Due and Restructured Loans".

FOREIGN OUTSTANDINGS

As of the year ended December 31, 2004, the Company had no foreign loans outstanding.

LOAN CONCENTRATIONS

As of the year ended December 31, 2004, the Company did not have any concentration of loans exceeding 10% of total loans which are not otherwise disclosed as a category of loans pursuant to Item III. A. of Guide 3.

OTHER INTEREST-BEARING ASSETS

As of December 31, 2004, the Company does not have any interest-bearing assets that would be required to be disclosed under Item III. C. 1. or 2. if such assets were loans.

SUMMARY OF LOAN LOSS EXPERIENCE

ALLOWANCE FOR LOAN LOSSES

The table, "Summary of Loan Loss Experience," summarizes loan balances as of the end of each period indicated, averages for each period, changes in the allowance for loan losses arising from charge-offs and recoveries by loan category, and additions to the allowance which have been charged to expense.

The allowance for loan losses is increased by the provision for loan losses, which is a direct charge to expense. Losses on specific loans are charged against the allowance in the period in which management determines that such loans become uncollectible. Recoveries of previously charged-off loans are credited to the allowance.

	Year Ended December 31,				
	2004	2003	2002	2001	2000
	(Thousands of Dollars)				
Loans (net of unearned income):					
Average loans outstanding for the period	$386,899	$346,110	$309,351	$294,837	$284,431
Allowance for loan losses:					
Balance at the beginning of period	$ 4,524	$ 4,155	$ 3,763	$ 3,782	$ 3,451
Charge-offs:					
Commercial, financial, and agricultural	281	431	412	383	186
Real Estate - construction and mortgage	22	59	97	96	134
Loans to individuals	514	392	447	470	426
Total charge-offs	817	882	956	949	746
Recoveries:					
Commercial, financial, and agricultural	45	115	191	106	92
Real Estate - construction and mortgage	1	26	30	31	19
Loans to individuals	196	150	142	168	146
Total recoveries	$ 242	$ 291	$ 363	$ 305	$ 257
Net charge-offs	$ 575	$ 591	$ 593	$ 644	$ 489
Additions charged to operations	$ 1,155	$ 960	$ 985	$ 625	$ 820
Balance at end of period	$ 5,104	$ 4,524	$ 4,155	$ 3,763	$ 3,782
	.15%	.17%	.19%	.22%	.17%

The allowance for loan losses is maintained at the greater of 1.20% of net loans or an amount based on considerations of classified and internally-identified problem loans, the current trend in delinquencies, the volume of past-due loans, and current or expected economic conditions. In addition, the Asset/Liability Management Committee and the Loan Committee review the adequacy of the allowance quarterly and make recommendations as to the desired amount of the allowance.

The Board of Directors maintains an independent Loan Review function which has established controls and procedures to monitor loan portfolio risk on an on-going basis. Credit reviews on all major relationships are conducted on a continuing basis as is the monitoring of past-due trends and classified assets. The function utilizes various methodologies in its assessment of the adequacy of the Allowance for Loan Losses. Three primary measurements are reported to the Board of Directors on a quarterly basis, the Graded Loan Method based on a bank-wide risk grading model, the Migration Analysis Method which tracks risk patterns on charged-off loans for the previous 10 years, and the Historical Experience Method based on net charge-offs. Additionally, the function annually conducts an independent economic assessment, addresses portfolio risk by industry concentration, reviews loan policy changes and marketing strategies for any effect on portfolio risk, and conducts tests addressing portfolio performance by type of portfolio, collateral type, and loan officer performance.

Based upon all relevant factors, Management anticipates net charge-offs will be approximately $760,000 during 2005.

DEPOSITS

AVERAGE DEPOSITS BY CLASSIFICATION

The following table sets forth the classification of average deposits for the indicated period, in thousands of dollars:

	Years Ended December 31,		
	2004	2003	2002
Noninterest bearing demand deposits	$118,149	$101,310	$ 90,431
Interest bearing demand deposits	72,240	63,437	58,683
Savings deposits	47,998	44,899	32,874
Time deposits	317,152	283,520	270,350
Total deposits	$555,539	$493,166	$452,338

AVERAGE RATES PAID ON DEPOSITS

The following table sets forth average rates paid on categories of interest-bearing deposits for the periods indicated:

	Years Ended December 31,		
	2004	2003	2002
Interest bearing demand deposits	.29%	.29%	.30%
Savings Deposits	1.16%	1.26%	1.63%
Time deposits	1.83%	2.16%	2.87%

MATURITIES OF TIME DEPOSITS OF $100,000 OR MORE

The following table sets forth the maturity of time deposits of $100,000 or more, in thousands of dollars, at December 31, 2004:

Maturity within 3 months or less	$36,977
Over 3 through 6 months	36,726
Over 6 through 12 months	15,854
Over 12 months	10,485
Total	$100,042

RETURN ON EQUITY AND ASSETS

The following table presents certain ratios relating to the Company's equity and assets:

	Years Ended December 31,		
	2004	2003	2002
Return on average total assets	1.26%	1.29%	1.31%
Return on average stockholders' equity	12.23%	11.86%	12.19%
Cash dividend payout ratio	40.47%	37.44%	37.45%
Average equity to average assets ratio	10.29%	10.91%	10.77%

SHORT-TERM BORROWINGS

Federal funds purchased and securities sold under repurchase agreements are short-term borrowings which generally mature within 90 days from the dates of issuance. No other category of short-term borrowings had an average balance outstanding during the reported period which represented 30 percent or more of stockholders' equity at the end of the period.

The following is a summary of federal funds purchased and securities sold under repurchase agreements at December 31 of each reported period, in thousands of dollars:

	December 31,		
	2004	2003	2002
Federal funds purchased and securities sold under agreement to repurchase	$33,950	$24,760	$26,219

The following information relates to outstanding federal funds purchased and securities sold under repurchase agreements during 2004, 2003, and 2002:

	Maximum Amount Outstanding in Any Month End			Weighted Average Interest Rate at December 31,		
	2004	2003	2002	2004	2003	2002
Federal funds purchased and securities sold under agreement to repurchase	$33,950	$32,256	$33,091	1.43%	.96%	1.41%

	Year ended December 31,		
	2004	2003	2002
Federal funds purchased and securities sold under agreement to repurchase- average daily amount outstanding	$29,194	$28,752	$27,962
Weighted average interest rate paid	1.19%	1.13%	1.77%

ITEM 2. PROPERTIES

The Company's subsidiary, The Conway National Bank, has eleven permanent banking offices in Horry County and one permanent banking office in Georgetown County, for a total of twelve banking offices. In addition, the Bank has an Operations and Administration Building, located at 1400 Third Avenue in Conway, which houses the Bank's administrative offices and data processing facilities. This three-story structure, which was significantly expanded in 1982, contains approximately 33,616 square feet. Adjacent to the Operations and Administration Building, the Bank opened a new 24,000 square foot banking office in 2004, known as the Conway Banking Office, which provides retail banking functions at the Bank's principal site. In addition, the Bank has a 1,450 square foot building for express banking services adjacent to the Conway Banking Office. The Bank has a two-story office on Main Street in Conway containing 8,424 square feet. Bank offices are housed in one-story facilities at the Coastal Centre in Conway (3,500 square feet with an adjacent 675 square foot building for express banking services), Red Hill in Conway (3,760 square feet) West Conway in Conway (3,286 square feet) Surfside in Surfside Beach (6,339 square feet), Northside, north of Myrtle Beach (2,432 square feet), Socastee in the southern portion of Myrtle Beach (3,498 square feet), Aynor in The Town of Aynor (2,809 square feet), Myrtle Beach in the City of Myrtle Beach (12,000 square feet), Murrells Inlet in Murrells Inlet, Georgetown County (3,600 square feet) and North Myrtle Beach in the City of North Myrtle Beach (3,600 square feet). Of the twelve banking offices and the Operations and Administration Building, the bank owns the Operations and Administration Building, the Conway Banking Office and Express, the banking offices at Red Hill, West Conway, Surfside Beach, Northside, Main Street, Socastee, Aynor, Myrtle Beach, Murrells Inlet and North Myrtle Beach. One facility, Coastal Centre in Conway, is leased by the Bank under a long-term lease with renewal options. In addition to the existing facilities, the Company has purchased three future office sites. The sites consist of 1.1 acres on Highway 701 north of Conway, 2.01 acres on Highway 9 west of North Myrtle Beach, and 2.0 acres on Highway 17 in Pawleys Island. The company anticipates building a banking office on the Pawleys Island location in 2005 and on the other sites within the next two to six years, depending on market conditions. The physical addresses of each location are as follows: The Operations and Administration Building at 1400 Third Avenue, Conway; Conway Banking Office at 1411 Fourth Avenue, Conway; Coastal Centre at 16th Ave., Conway; Main Street at 309 Main Street, Conway; West Conway at Highway 501 & Cultra Road, Conway; Surfside at Highway 17 & 5th Avenue North, Surfside Beach; Northside at 9726 Highway 17 North, Myrtle Beach; Red Hill at Highways 544 & 501, Conway; Socastee at Highway 17 Bypass, South at the "Back Gate", Myrtle Beach; Aynor at 2605 Highway 501, Aynor; Myrtle Beach at 1353 21st Avenue North, Myrtle Beach; Murrells Inlet at 4345 Highway 17 Bypass, Murrells Inlet; and North Myrtle Beach at 110 Highway 17 North, North Myrtle Beach.

ITEM 3. LEGAL PROCEEDINGS

There were no material legal proceedings against the Company or its subsidiary, The Conway National Bank, as of December 31, 2004.

ITEM 4. SUBMISSION OF MATTERS TO VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders in the fourth quarter of 2004.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCK HOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

As of December 31, 2004, there were approximately 757 holders of record of Company stock. There is no established market for shares of Company stock and only limited trading in such shares has occurred since the formation of the Company on June 10, 1985. During 2003 and 2004, management was aware of a few transactions in which the Company's common stock traded at the prices set forth below, adjusted for the effect of a 10% stock dividend paid in 2004. However, management has not ascertained that these transactions resulted from arm's length transactions between the parties involved, and because of the limited number of shares involved, these prices may not be indicative of the value of the common stock.

	2004		2003	
	High	Low	High	Low
First Quarter	$128.18	$128.18	$105.45	$105.45
Second Quarter	$131.82	$128.18	$112.73	$105.45
Third Quarter	$131.82	$131.82	$112.73	$112.73
Fourth Quarter	$133.00	$132.00	$128.18	$112.73

Holders of shares of Company stock are entitled to such dividends as may be declared from time to time by the Board of Directors of the Company. The Company paid an annual cash dividend, adjusted for the effect of a 10% stock dividend paid in 2004, of $4.25 per share in 2004 and $3.64 per share in 2003. In addition, the Company may from time to time pay a stock dividend. The Company paid a 10% stock dividend in September 2004. There can be no assurance, however, as to the payment of dividends by the Company in the future since payment will be dependent upon the earnings and financial condition of the Company and the Bank and other related factors. The Company's primary source of funds with which to pay dividends is dividends paid to the Company by the Bank. There are legal restrictions on the Bank's ability to pay dividends. See "Supervision and Regulation–Dividends" under Item 1, Part I of this Form 10-K/A for a description of these legal restrictions.

The information required to be disclosed by Item 201(d) of Regulation S-K is set forth in Item 12 of this Form 10-K/A.

ITEM 6. SELECTED FINANCIAL DATA
CNB Corporation
FINANCIAL SUMMARY
(All Dollar Amounts, Except Per Share Data, in Thousands)

The following table sets forth certain selected financial data relating to the Company and subsidiary and is qualified in its entirety by reference to the more detailed financial statements of the Company and subsidiary and notes thereto included elsewhere in this report.

	Year Ended December 31,				
	2004	2003	2002	2001	2000
Selected Income Statement Data:					
Total Interest Income	$ 32,291	$ 30,466	$ 31,344	$ 33,963	$ 34,275
Total Interest Expense	6,938	7,224	9,068	14,822	14,825
Net Interest Income	25,353	23,242	22,276	19,141	19,450
Provisions for Possible Loan Losses	1,155	960	985	625	820
Net Interest Income after Provision for Possible Loan Losses	24,198	22,282	21,291	18,516	18,630
Total Other Operating Income	6,257	6,117	5,463	5,337	4,562
Total Other Operating Expense	18,246	17,237	16,159	14,606	13,961
Income Before Income Taxes	12,209	11,162	10,595	9,247	9,231
Income Taxes	3,927	3,497	3,413	2,812	2,920
Net Income	$ 8,282	$ 7,665	$ 7,182	$ 6,435	$ 6,311
*Per Share:					
Net Income Per Weighted Average Shares Outstanding	$ 10.50	$ 9.71	$ 9.11	$ 8.18	$ 8.02
Cash Dividend Paid Per Share	$ 4.25	$ 3.64	$ 3.41	$ 3.18	$ 3.18
Weighted Average Shares Outstanding	789,006	789,290	788,553	786,080	787,222

*Restated for a 10% stock dividend issued during 2004.

	2004	2003	2002	2001	2000
Selected Balance Sheet Data:					
Assets	$671,569	$599,978	$569,490	$505,725	$471,076
Net Loans	401,879	357,510	321,467	292,844	291,866
Investment Securities	215,827	191,575	180,413	162,106	131,190
Federal Funds Sold	-	1,000	22,000	3,950	9,875
Deposits:					
Non-Interest-Bearing	$118,580	$101,684	$100,225	$ 88,995	$ 76,342
Interest-Bearing	441,784	401,429	368,084	321,648	314,388
Total Deposits	$560,364	$503,113	$468,309	$410,643	$390,730
Stockholders' Equity	$ 67,585	$ 64,623	$ 61,125	$ 53,996	$ 48,606

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

"Management's Discussion and Analysis" is provided to afford a clearer understanding of the major elements of the Company's financial condition, results of operations, liquidity, and capital resources. The following discussion should be read in conjunction with the Company's financial statements and notes thereto and other detailed information appearing elsewhere in this report. References to dollar amounts in this section are in thousands, except per share data.

CRITICAL ACCOUNTING POLICIES

The Company has adopted various accounting policies which govern the application of accounting principles generally accepted in the United States in the preparation of the Company's financial statements. The significant accounting policies of the Company are described in the footnotes to the consolidated financial statements.

Certain accounting policies involve significant judgments and assumptions by management which have a material impact on the carrying value of certain assets and liabilities; management considers such accounting policies to be critical accounting policies. The judgments and assumptions used by management are based on historical experience and other factors, which are believed to be reasonable under the circumstances. Because of the nature of the judgments and assumptions made by management, actual results could differ from these judgments and estimates which could have a material impact on the carrying values of assets and liabilities and the results of operations of the Company.

The Company believes the allowance for loan losses is a critical accounting policy that requires the most significant judgments and estimates used in preparation of its consolidated financial statements. Refer to the MD&A under Provision and Allowance for Loan Losses section for a detailed description of the Company's estimation process and methodology related to the allowance for loan losses.

Distribution of Assets and Liabilities

The Company maintains a conservative approach in determining the distribution of assets and liabilities. Loans increased 11.2% from $325,622 at December 31, 2002 to $362,034 at December 31, 2003; and 12.4% from December 31, 2003 to $406,983 at December 31, 2004. Loan growth is attributed to overall business development efforts to meet business and personal loan demand in our market area. Loan demand in our market area has remained solid in 2003 and 2004 in part due to overall lower interest rates coupled with a strong coastal real estate market. Loans increased as a percentage of total assets from 57.2% at year-end 2002 to 60.3% at year-end 2003 and increased to 60.6% at year-end 2004. Correspondingly, investment securities and federal funds sold decreased as a percentage of total assets from 35.5% at year-end 2002 to 32.1% at year-end 2003 and year-end 2004. Investments and federal funds sold provide for an adequate supply of secondary liquidity. Year-end other assets as a percentage of total assets has remained relatively constant over the previous three years. Management has sought to build the deposit base with stable, relatively non-interest-rate sensitive deposits by offering the small to medium account holders a wide array of deposit instruments at competitive rates. Non-interest-bearing demand deposits have increased slightly as a percentage of total assets from 17.6% at December 31, 2002 to 17.7% at December 31, 2004. Demand deposits are expected to decline over the long-term as more customers utilize interest-bearing deposit and repo accounts. Interest-bearing liabilities as a percentage of total assets have risen from 70.4% at December 31, 2002 to 71.3% at December 31, 2004.

The following table sets forth the percentage relationship to total assets of significant components of the Company's balance sheet as of December 31, 2004, 2003 and 2002:

	December 31,		
	2004	2003	2002
Assets:			
Earning assets:			
Loans	60.6%	60.3%	57.2%
Investment securities:			
Taxable	28.7	27.8	26.9
Tax-exempt	3.4	4.1	4.7
Federal funds sold and securities purchased under agreement to resell	-	.2	3.9
Total earning assets	92.7	92.4	92.7
Other assets	7.3	7.6	7.3
Total assets	100.0%	100.0%	100.0%
Liabilities and stockholder's equity:			
Interest-bearing liabilities:			
Interest-bearing deposits	65.8%	66.9%	64.6%
Federal funds purchased and securities sold under agreement to resell	5.1	4.1	4.6
Other short-term borrowings	.4	.2	1.2
Total interest-bearing liabilities	71.3	71.2	70.4
Noninterest-bearing deposits	17.7	16.9	17.6
Other liabilities	1.0	1.1	1.3
Stockholders' equity	10.0	10.8	10.7
Total liabilities and stockholders' equity	100.0%	100.0%	100.0%

Results of Operation

CNB Corporation and subsidiary recognized earnings in 2004, 2003 and 2002 of $8,282, $7,665, and $7,182, respectively, resulting in a return on average assets of 1.26%, 1.29%, and 1.31% and a return on average stockholders' equity of 12.23%, 11.86% and 12.19%. The earnings were primarily attributable to favorable net interest margins in each period (see Net Income-Net Interest Income). Other factors include management's ongoing effort to maintain other income at adequate levels (see Net Income - Other Income) and to control other expenses (see Net Income - Other Expenses). These strong earnings, coupled with a conservative dividend policy, have supplied the necessary capital funds to support bank operations. Total assets were $671,569 at December 31, 2004 as compared to $599,978 at December 31, 2003 and $569,490 at December 31, 2002. The following table sets forth the financial highlights for fiscal years 2004, 2003, and 2002.

CNB Corporation and Subsidiary
FINANCIAL HIGHLIGHTS
(All Dollar Amounts, Except Per Share Data, in Thousands)

	December 31, 2004	2003 to 2004 Percent Increase (Decrease)	December 31, 2003	2002 to 2003 Percent Increase (Decrease)	December 31, 2002
Net interest income after provision for loan losses	$ 24,198	8.6%	$ 22,282	4.7%	$ 21,291
Income before income taxes	12,209	9.4	11,162	5.4	10,595
Net Income	8,282	8.0	7,665	6.7	7,182
*Per Share (weighted average of shares outstanding)	$ 10.50	8.1	$ 9.71	6.6	$ 9.11
Cash dividends declared	3,352	16.8	2,870	6.7	2,690
*Per Share	$ 4.25	16.8	$ 3.64	6.7	$ 3.41
Total assets	$671,569	11.9%	$599,978	5.4%	$569,490
Total deposits	560,364	11.4	503,113	7.4	468,309
Loans	406,983	12.4	362,034	11.2	325,622
Investment securities	215,827	12.7	191,575	6.2	180,413
*Stockholders' equity	67,585	4.6	64,623	5.7	61,125
Book value per share (actual number of shares outstanding)	$ 85.70	4.7	$ 81.89	5.7	$ 77.47
*Adjusted for the effect of a 10% stock dividend paid in 2004.					
Ratios (1):	1.26%	(2.3)	1.29%	(1.5)	1.31%
Return on average total assets	12.23%	3.1	11.86%	(2.7)	12.19%
Return on average stockholders' equity					

(1) For the fiscal years ended December 31, 2004, 2003, and 2002, average total assets amounted to $657,645, $592,671, and $546,617 with average stockholders' equity totaling $67,700, $64,650, and $58,897, respectively.

NET INCOME

Net Interest Income - Earnings are dependent to a large degree on net interest income, defined as the difference between gross interest and fees earned on earning assets, primarily loans and investment securities, and interest paid on deposits and borrowed funds. Net interest income is affected by the interest rates earned or paid and by volume changes in loans, investment securities, deposits, and borrowed funds.

The Bank maintained net interest margins in 2004, 2003 and 2002 of 4.2%, 4.3%, and 4.5%, respectively, as compared to management's long-term target of 4.5%. Net interest margins have compressed due to historically low market interest rates lowering returns available on loans and investments while interest costs on liabilities did not decline as quickly due to competitive pressure. Fully-tax-equivalent net interest income grew from $19,621 in 2001 to $22,859 in 2002 and to 23,774 in 2003 and $25,846 in 2004. During the three-year period, total fully-tax-equivalent interest income decreased by 2.9% from $31,927 in 2002 to $30,998 in 2003 and increased 5.8% in 2004 to $32,784. Over the same period, total interest expense decreased 20.3% from $9,068 in 2002 to $7,224 in 2003 and decreased 4.0% to $6,938 in 2004. Fully-tax-equivalent net interest income as a percentage of average total earning assets was 4.5% in 2002, 4.3% in 2003 and 4.2% in 2004.

Interest rates paid on deposits and borrowed funds and earned on loans and investments have generally followed the fluctuations in market interest rates in 2004, 2003, and 2002. However, fluctuations in market interest rates do not necessarily have a significant impact on net interest income, depending on the Bank's rate sensitivity position. A rate sensitive asset (RSA) is any loan or investment that can be repriced up or down in interest rate within a certain time interval. A rate sensitive liability (RSL) is an interest paying deposit or other liability that can be repriced either up or down in interest rate within a certain time interval. When a proper balance between RSA and RSL exists, market interest rate fluctuations should not have a significant impact on earnings. The larger the imbalance, the greater the interest rate risk assumed by the Bank and the greater the positive or negative impact of interest rate fluctuations on earnings. The Bank seeks to manage its assets and liabilities in a manner that will limit interest rate risk and thus stabilize long-run earning power. The following table sets forth the Bank's static gap rate sensitivity position at each of the time intervals indicated. The table illustrates the Bank's rate sensitivity position on specific dates and may not be indicative of the position at other points in time. Management believes that a rise or fall in interest rates will not materially affect earnings.

Interest Rate Sensitivity Analysis
December 31, 2004
(Dollars in Thousands)

	1 Day	90 Days	180 Days	365 Days	Over 1 to 5 Years	Over 5 Years
Rate Sensitive Assets (RSA)						
Federal Funds Sold	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Investment Securities	0	15,632	17,015	28,204	147,171	6,490
Loans (net of non-accruals $880)	120,065	23,506	14,277	19,801	156,640	71,814
Total, RSA	$120,065	$ 39,138	$ 31,292	$ 48,005	$303,811	$ 78,304
Rate Sensitive Liabilities (RSL)						
Deposits:						
Certificates of Deposit of $100,000 or more	$ 0	$ 36,977	36,726	15,854	10,485	0
All Other Time Deposits	0	38,273	24,770	50,122	17,017	0
Federal Funds Purchased and Securities Sold Under Repurchase Agreements	31,856	2,094	0	0	0	0
Total RSL	$ 31,856	$ 77,344	$ 61,496	$ 65,976	$ 27,502	$ 0
RSA-RSL	$ 88,209	$(38,206	$(30,204	$(17,971)	$276,309	$ 78,304
Cumulative RSA-RSL	$ 88,209	$ 50,003	$ 19,799	$ 1,828	$278,137	$356,441
Cumulative RSA/RSL	3.77	1.46	1.12	1.01	2.05	2.35

NET INCOME (continued)

Provision for Loan Losses - It is the policy of the bank to maintain the allowance for loan losses at the greater of 1.20% of net loans or an amount deemed necessary to cover potential losses identified during the ongoing in-house problem loan identification process. The Company includes the provisions of SFAS No. 114, "Accounting by Creditors for Impairment of a Loan", as amended by SFAS 118, in the allowance for loan losses (see NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES). The provision for loan losses was $1,155 in 2004, $960 in 2003 and $985 in 2002. Net loan charge-offs totalled $575 in 2004, $591 in 2003, and $593 in 2002 with net charge-offs being centered in consumer purpose loans during each period. The allowance for loan losses as a percentage of net loans was 1.27% at December 31, 2004, 1.27% at December 31, 2003, and 1.29% at December 31, 2002. The higher provision during 2004 was due to an increase in the rate of loan growth.

Securities Transactions - Net unrealized gains/(losses) in the investment securities portfolio were $1,469 at December 31, 2004, $4,820 at December 31, 2003, and $7,170 at December 31, 2002. The market value of investment securities has declined due to rising short-term market rates. Security gains of $183 and $153 were taken in 2002 and 2003 on sales of $6,199 and $6,376 in short-term available-for-sale securities to supplement liquidity. No security gains/(losses) were taken in 2004.

Other Income - Other income, net of any securities gains/(losses), increased by 13.0% from $5,280 in 2002 to $5,964 in 2003 and grew 4.9% from $5,964 in 2003 to $6,257 in 2004. Other income rose in 2003 primarily due to growth in mortgage loan department income. Mortgage loan activity declined in 2004, but the Bank experienced strong growth in merchant discount income due to higher merchant account volumes.

Other Expenses - Other expenses increased by 6.7% from $16,159 in 2002 to $17,237 in 2003 and 5.9% from $17,237 in 2003 to $18,246 in 2004. The components of other expenses are salaries and employee benefits of $10,147, $10,961, and $11,359; occupancy and furniture and equipment expenses of $2,134, $2,171, and $2,509; and other operating expenses of $3,878, $4,105, and $4,378 for 2002, 2003, and 2004, respectively. The increase in salaries and employee benefits reflects compensation increases, the increased costs of providing employee benefits, and an increase from 230 to 232 full-time equivalent employees over the three-year period. The addition of the North Myrtle Beach Office in 2002 and the $5.3 million Conway Banking Office in 2004 impacted occupancy and furniture and equipment expense. Non-interest expense should grow in 2005 due to the construction, equipping and staffing of the Pawleys Island Banking Office. Also, the Bank expects to expend approximately $1 million in 2005 for new imaging and data processing equipment and software.

Income Taxes - Provisions for income taxes increased 2.5% from $3,413 in 2002 to $3,497 in 2003 and increased 12.3% from $3,497 in 2003 to $3,927 in 2004. Income tax liability has increased in 2003 and 2004 as income before income taxes has increased 5.4% and 9.4%, respectively.

LIQUIDITY

The bank's liquidity position is primarily dependent on short-term demands for funds caused by customer credit needs and deposit withdrawals and upon the liquidity of bank assets to meet these needs. The bank's liquidity sources include cash and due from banks, federal funds sold and short-term investments. In addition, the bank has established federal funds lines of credit from correspondent banks; has the ability, on a short-term basis, to borrow funds from the Federal Reserve System; and has a line of credit from the Federal Home Loan Bank of Atlanta (see NOTE 8-LINES OF CREDIT). The Company has cash balances on hand of $7,485, $5,282, and $5,719 at December 31, 2004, 2003, and 2002 with liabilities, consisting of cash dividends payable, totalling $3,352, $2,870, and $2,690, respectively. Management feels that liquidity sources are more than adequate to meet funding needs.

OFF-BALANCE SHEET ARRANGEMENTS

The Company, through the operations of the Bank, makes contractual commitments to extend credit in the ordinary course of business. These commitments are legally binding agreements to lend money to customers of the Bank at predetermined interest rates for a specified period of time. In addition to commitments to extend credit, the Bank also issues standby letters of credit which are assurances to a third party that they will not suffer a loss if the Bank's customer fails to meet its contractual obligation to a third party. The Bank may also have outstanding commitments to buy/sell securities. At December 31, 2004, the Bank had issued commitments to extend credit of $45.6 million, standby letters of credit of $3.3 million, and no commitments to purchase securities (see NOTE 10 to the Consolidated Financial Statements-FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK). The majority of the commitments and standby letters of credit typically mature within one year and past experience indicates that many of the commitments and standby letters of credit will expire unused. However, through its various sources of liquidity, the Bank believes that it will have the necessary resources to meet these obligations should the need arise.

Neither the Company nor the Bank is involved in other off-balance sheet contractual relationships, unconsolidated related entities that have off-balance sheet arrangements, or transactions that could result in liquidity needs or other commitments or significantly impact earnings.

Obligations under noncancelable operating lease agreements totaled $25 thousand at December 31, 2004. These obligations are payable over several years as shown in NOTE 11 to the Consolidated Financial Statements - COMMITMENTS AND CONTINGENCIES.

CAPITAL RESOURCES

Total stockholders' equity was $67,585, $64,623, and $61,125 at December 31, 2004, 2003, and 2002, representing 10.06%, 10.77%, and 10.73% of total assets, respectively. At December 31, 2004, the Bank exceeded quantitative measures established by regulation to ensure capital adequacy (see NOTE 15 to the Consolidated Financial Statements - REGULATORY MATTERS). Capital is considered sufficient by management to meet current and prospective capital requirements and to support anticipated growth in bank operations.

EFFECTS OF INFLATION

Inflation normally has the effect of accelerating the growth of both a bank's assets and liabilities. One result of this inflationary effect is an increased need for equity capital. Income is also affected by inflation. While interest rates have traditionally moved with inflation, the effect on net income is diminished because both interest earned on assets and interest paid on liabilities vary directly with each other. In some cases, however, rate increases are delayed on fixed-rate instruments. Loan demand normally declines during periods of high inflation. Inflation has a direct impact on the Bank's non-interest expense. The Bank responds to inflation changes through re-adjusting non-interest income by repricing services.

ACCOUNTING ISSUES

Accounting standards that have been issued or proposed by the Financial Accounting Standards Board that do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption. (See NOTE 1 to the Consolidated Financial Statements - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES).

RISKS AND UNCERTAINTIES

In the normal course of its business the Company encounters two significant types of risks: economic and regulatory. There are three main components of economic risk: interest rate risk, credit risk and market risk. The Company is subject to interest rate risk to the degree that its interest-bearing liabilities mature or reprice at different speeds, or on different basis, than its interest-earning assets. Credit risk is the risk of default on the Company's loan portfolio that results from borrower's inability or unwillingness to make contractually required payments. Market risk reflects changes in the value of collateral underlying loans receivable and the valuation of real estate held by the Company.

The Company is subject to the regulations of various governmental agencies. These regulations can and do change significantly from period to period. The Company also undergoes periodic examinations by the regulatory agencies, which may subject it to further changes with respect to asset valuations, amounts of required loss allowances and operating restrictions from the regulators' judgments based on information available to them at the time of their examination.

ITEM 7.A QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of loss from adverse changes in market prices and rates. The Company's market risk arises principally from interest rate risk inherent in its lending, deposit and borrowing activities. Management actively monitors and manages its interest rate risk exposure. In addition to other risks which the Company manages in the normal course of business, such as credit quality and liquidity risk, management considers interest rate risk to be a significant market risk that could potentially have a material effect on the Company's financial condition and results of operations (See Net Income - Net Interest Income). Other types of market risks, such as foreign currency risk and commodity price risk, do not arise in the normal course of the Company's business activities.

CNB CORPORATION AND SUBSIDIARY

REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2004, 2003 AND 2002

CNB CORPORATION AND SUBSIDIARY
CONWAY, SOUTH CAROLINA

CONTENTS

Elliott Davis, LLC
Advisors-CPAs-Consultants
1901 Main Street, Suite 1650
P.O. Box 2227
Columbia, SC 29202-2227

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Directors and Stockholders
CNB Corporation
Conway, South Carolina

We have audited the consolidated balance sheets of CNB Corporation and subsidiary as of December 31, 2004 and 2003, and the related consolidated statements of income, stockholders' equity, comprehensive income and cash flows for each of the three years in the period ended December 31, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, and 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 Corporation and subsidiary at December 31, 2004 and 2003 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of CNB Corporation and subsidiary's internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated January 26, 2005 which expressed an unqualified opinion.

/s/Elliott Davis, LLC

Columbia, South Carolina
January 26, 2005

Elliott Davis, LLC
Advisors-CPAs-Consultants
1901 Main Street, Suite 1650
P.O. Box 2227
Columbia, SC 29202-2227

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Directors and Stockholders
CNB Corporation
Conway, South Carolina

We have audited management's assessment, included in the accompanying Report by CNB Corporation's Management on Internal Control Over Financial Reporting, that CNB Corporation and subsidiary maintained effective internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). CNB Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that CNB Corporation and subsidiary maintained effective internal control over financial reporting as of December 31, 2004, is fairly stated, in all material respects, based on criteria established in Internal Control - Integrated Framework issued by COSO. Furthermore, in our opinion, CNB Corporation and subsidiary maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control - Integrated Framework issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of CNB Corporation and subsidiary and our report dated January 26, 2005 which expressed an unqualified opinion.

/s/Elliott Davis, LLC

Columbia, South Carolina
January 26, 2005

CNB CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
(amounts, except share data, in thousands)

ASSETS	December 31, 2004	2003
CASH AND DUE FROM BANKS	$ 25,793	$ 25,021
FEDERAL FUNDS SOLD	-	1,000
INVESTMENT SECURITIES AVAILABLE FOR SALE	209,994	182,210
INVESTMENT SECURITIES HELD TO MATURITY		
(fair value $4,765 in 2004 and $8,516 in 2003)	4,519	8,081
OTHER INVESTMENTS, AT COST	1,314	1,284
LOANS	406,983	362,034
Less allowance for loan losses	5,104	4,524
Net loans	401,879	357,510
PREMISES AND EQUIPMENT	17,628	17,068
ACCRUED INTEREST RECEIVABLE	4,682	4,358
OTHER ASSETS	5,760	3,446
	$ 671,569	**$599,978**
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits		
Noninterest-bearing	$ 118,580	$ 101,684
Interest-bearing	441,784	401,429
Total deposits	560,364	503,113
Securities sold under repurchase agreements	33,950	24,760
United States Treasury demand notes	2,895	970
Dividends payable	3,352	2,870
Other liabilities	3,423	3,642
Total liabilities	603,984	535,355
COMMITMENTS AND CONTINGENT LIABILITIES - Notes 10 and 11		
STOCKHOLDERS' EQUITY		
Common stock - $10 par value; authorized 1,500,000 shares;		
issued 789,774 and 718,246 shares in 2004 and 2003, respectively	7,898	7,182
Capital in excess of par value of stock	43,543	34,801
Retained earnings	15,558	20,113
Accumulated other comprehensive income	734	2,631
	67,733	64,727
Less 1,129 in 2004 and 837 in 2003 shares held in Treasury at cost	148	104
Total stockholders' equity	67,585	64,623
	$ 671,569	**$ 599,978**

The accompanying notes are an integral part of these consolidated financial statements.

CNB CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
(amounts, except per share data, in thousands)

	For the years ended December 31, 2004	2003	2002
INTEREST INCOME			
Loans and fees on loans	$ 24,351	$ 22,565	$ 22,343
Investment securities			
Taxable	6,656	6,623	7,493
Nontaxable	957	1,032	1,131
Total interest on investment securities	7,613	7,655	8,624
Federal funds sold	327	246	377
Total interest income	32,291	30,466	31,344
INTEREST EXPENSE			
Deposits	6,578	6,877	8,458
Securities sold under repurchase agreements	348	334	495
Federal Home Loan Bank advances	-	-	88
United States Treasury demand notes	12	13	27
Total interest expense	6,938	7,224	9,068
Net interest income	25,353	23,242	22,276
PROVISION FOR LOAN LOSSES	1,155	960	985
Net interest income after provision for loan losses	24,198	22,282	21,291
NONINTEREST INCOME			
Service charges on deposit accounts	3,504	3,443	3,212
Other service and exchange charges	2,753	2,521	2,068
Gain on sale of investment securities available for sale	-	153	183
Total noninterest income	6,257	6,117	5,463
NONINTEREST EXPENSES			
Salaries and wages	8,682	8,295	7,761
Pensions and other employee benefits	2,677	2,666	2,386
Occupancy	1,130	1,027	940
Furniture and equipment	1,379	1,144	1,194
Examination and professional fees	447	308	346
Office supplies	445	507	411
Credit card operations	1,228	1,077	898
Other operating expenses	2,258	2,213	2,223
Total noninterest expenses	18,246	17,237	16,159
Income before provision for income taxes	12,209	11,162	10,595
PROVISION FOR INCOME TAXES	3,927	3,497	3,413
Net income	**$ 8,282**	**$ 7,665**	**$ 7,182**
NET INCOME PER SHARE OF COMMON STOCK[1]	**$ 10.50**	**$ 9.71**	**$ 9.11**

[1] Adjusted for effects of 10% stock dividend

The accompanying notes are an integral part of these consolidated financial statements.

CNB CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the years ended December 31, 2004, 2003, and 2002
(amounts, except share data, in thousands)

	Common stock Shares	Common stock Amount	Capital in excess of par value of stock	Retained earnings	Accumulated other comprehensive income	Treasury stock	Total stockholders' equity
BALANCE, DECEMBER 31, 2001	718,246	$ 7,182	$34,774	$ 10,826	$ 1,435	$ (221)	$53,996
Net income	-	-	-	7,182	-	-	7,182
Cash dividend declared, $3.75 per share	-	-	-	(2,690)	-	-	(2,690)
Treasury stock transactions, net	-	-	-	-	-	119	119
Gain on sale of treasury stock	-	-	9	-	-	-	9
Net change in unrealized holding gain, net of income taxes of $1,672	-	-	-	-	2,509	-	2,509
BALANCE, DECEMBER 31, 2002	718,246	7,182	34,783	15,318	3,944	(102)	61,125
Net income	-	-	-	7,665	-	-	7,665
Cash dividend declared, $4.00 per share	-	-	-	(2,870)	-	-	(2,870)
Treasury stock transactions, net	-	-	-	-	-	(2)	(2)
Gain on sale of treasury stock	-	-	18	-	-	-	18
Net change in unrealized holding loss, net of income taxes of ($875)	-	-	-	-	(1,313)	-	(1,313)
BALANCE, DECEMBER 31, 2003	718,246	7,182	34,801	20,113	2,631	(104)	64,623
Net income	-	-	-	8,282	-	-	8,282
Cash dividend declared, $4.25 per share	-	-	-	(3,352)	-	-	(3,352)
10% stock dividend	71,528	716	8,726	(9,442)	-	-	-
Cash paid for fractional shares	-	-	-	(43)	-	-	(43)
Treasury stock transactions, net	-	-	-	-	-	(44)	(44)
Gain on sale of treasury stock	-	-	16	-	-	-	16
Net change in unrealized holding loss, net of income taxes of ($1,075)	-	-	-	-	(1,897)	-	(1,897)
BALANCE, DECEMBER 31, 2004	**789,774**	**$7,898**	**$ 43,543**	**$15,558**	**$ 734**	**$ (148)**	**$ 67,585**

The accompanying notes are an integral part of these consolidated financial statements.

CNB CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(amounts in thousands)

	For the years ended December 31,		
	2004	**2003**	**2002**
NET INCOME	$ 8,282	$ 7,665	$ 7,182
OTHER COMPREHENSIVE INCOME, NET OF TAX			
Unrealized holding gains (losses) on investment securities available for sale	(1,897)	(1,209)	2,633
Reclassification adjustments for gains included in net income	-	(104)	(124)
COMPREHENSIVE INCOME	**$ 6,385**	**$ 6,352**	**$ 9,691**

The accompanying notes are an integral part of these consolidated financial statements.

CNB CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(amounts in thousands)

	For the years ended December 31,		
	2004	**2003**	**2002**
OPERATING ACTIVITIES			
Net income	$ 8,282	$ 7,665	$ 7,182
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	895	739	727
Provision for loan losses	1,155	960	985
Provision for deferred income taxes	219	(255)	(165)
Loss on disposal of equipment	-	10	7
Gain on sale of investment securities available for sale	-	(153)	(183)
Changes in assets and liabilities:			
(Increase) decrease in accrued interest receivable	(324)	169	(45)
Increase in other assets	(1,188)	(30)	(176)
Increase (decrease) in other liabilities	(219)	135	(489)
Net cash provided by operating activities	8,820	9,240	7,843
INVESTING ACTIVITIES			
Proceeds from sales of investment securities available for sale	-	6,529	6,382
Proceeds from maturities and calls of investment securities held to maturity	3,562	5,134	7,600
Proceeds from maturities and calls of investment securities available for sale	72,102	80,913	52,050
Purchases of investment securities available for sale	(103,048)	(105,773)	(79,975)
Proceeds from sales of premises and equipment	532	-	-
Proceeds from sales of foreclosed assets	231	-	64
Net increase in loans	(45,835)	(37,003)	(29,750)
Purchase of non marketable equity securities	(30)	-	-
Premises and equipment expenditures	(1,987)	(5,368)	(1,898)
Net cash used for investing activities	(74,473)	(55,568)	(45,527)
FINANCING ACTIVITIES			
Dividends paid	(2,870)	(2,690)	(2,507)
Net increase in deposits	57,251	34,804	57,666
Increase (decrease) in securities sold under repurchase agreements	9,190	(1,459)	(6,602)
Repayments of Federal Home Loan Bank advances	-	-	(1,485)
Increase (decrease) in United States Treasury demand notes	1,925	(5,539)	5,856
Cash paid for fractional shares	(43)	-	-
Treasury stock transactions, net	(28)	16	128
Net cash provided by financing activities	65,425	25,132	53,056
Net increase (decrease) in cash and due from banks	(228)	(21,196)	15,372
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	26,021	47,217	31,845
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 25,793**	**$ 26,021**	**$ 47,217**
CASH PAID FOR			
Interest	**$ 6,787**	**$ 7,552**	**$ 9,699**
Income taxes	**$ 3,911**	**$ 3,695**	**$ 3,623**

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES

Principles of consolidation and nature of operations

The consolidated financial statements include the accounts of ***CNB Corporation*** ("the Company") and its wholly-owned subsidiary, The Conway National Bank ("the Bank"). The Company operates as one business segment. All significant intercompany balances and transactions have been eliminated. The Bank operates under a national bank charter and provides full banking services to customers. The Bank is subject to regulation by the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation. The Company is subject to regulation by the Federal Reserve Board.

Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the dates of the consolidated balance sheets and the consolidated statements of income for the periods covered. Actual results could differ from those estimates.

Concentrations of credit risk

The Company, through its subsidiary, makes commercial and personal loans to individuals and small businesses located primarily in the South Carolina coastal region. The Company has a diversified loan portfolio and the borrowers' ability to repay their loans is not dependent upon any specific economic sector.

Cash and cash equivalents

Cash and cash equivalents include cash and due from banks and federal funds sold. Generally, both cash and cash equivalents are considered to have maturities of three months or less, and accordingly, the carrying amount of such instruments is deemed to be a reasonable estimate of fair value.

Investment securities

The Company accounts for investment securities in accordance with Statement of Financial Accounting Standards ("SFAS") No. 115, *"Accounting for Certain Investments in Debt and Equity Securities."* This statement requires that the Company classify debt securities upon purchase as available for sale, held to maturity or trading. Such assets classified as available for sale are carried at fair value. Unrealized holding gains or losses are reported as a component of stockholders' equity (accumulated other comprehensive income) net of deferred income taxes. Securities classified as held to maturity are carried at cost, adjusted for the amortization of premiums and the accretion of discounts into interest income using a method which approximates a level yield. To qualify as held to maturity the Company must have the intent and ability to hold the securities to maturity. Trading securities are carried at market value. The Company has no trading securities. Gains or losses on disposition of securities are based on the difference between the net proceeds and the adjusted carrying amount of the securities sold, using the specific identification method.

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Loans and interest income

Loans are recorded at their unpaid principal balance. Interest on loans is accrued and recognized based upon the interest method.

The Company accounts for impaired loans in accordance with SFAS No. 114, "*Accounting by Creditors for Impairment of a Loan*". This standard requires that all creditors value loans at the loan's fair value if it is probable that the creditor will be unable to collect all amounts due according to the terms of the loan agreement. Fair value may be determined based upon the present value of expected cash flows, market price of the loan, if available, or value of the underlying collateral. Expected cash flows are required to be discounted at the loan's effective interest rate. SFAS No. 114 was amended by SFAS No. 118 to allow a creditor to use existing methods for recognizing interest income on an impaired loan and by requiring additional disclosures about how a creditor recognizes interest income on an impaired loan.

Under SFAS No. 114, as amended by SFAS No. 118, when the ultimate collectibility of an impaired loan's principal is in doubt, wholly or partially, all cash receipts are applied to principal. When this doubt does not exist, cash receipts are applied under the contractual terms of the loan agreement. Once the reported principal balance has been reduced to zero, future cash receipts are applied to interest income, to the extent that any interest has been foregone. Further cash receipts are recorded as recoveries of any amounts previously charged off.

A loan is also considered impaired if its terms are modified in a troubled debt restructuring. For these accruing impaired loans, cash receipts are typically applied to principal and interest receivable in accordance with the terms of the restructured loan agreement. Interest income is recognized on these loans using the accrual method of accounting.

Allowance for loan losses

The allowance for loan losses is based on management's ongoing evaluation of the loan portfolio and reflects an amount that, in management's opinion, is adequate to absorb losses in the existing portfolio. In evaluating the portfolio, management takes into consideration numerous factors, including current economic conditions, prior loan loss experience, the composition of the loan portfolio, and management's estimate of anticipated credit losses. Loans are charged against the allowance at such time as they are determined to be losses. Subsequent recoveries are credited to the allowance. Management considers the year-end allowance appropriate and adequate to cover losses in the loan portfolio; however, management's judgment is based upon a number of assumptions about future events, which are believed to be reasonable, but which may or may not prove valid. Thus, there can be no assurance that charge-offs in future periods will not exceed the allowance for loan losses or that additional increases in the allowance for loan losses will not be required.

Non-performing assets

Non-performing assets include real estate acquired through foreclosure or deed taken in lieu of foreclosure, and loans on non-accrual status. Loans are placed on non-accrual status when, in the opinion of management, the collection of additional interest is questionable. Thereafter no interest is taken into income unless received in cash or until such time as the borrower demonstrates the ability to pay principal and interest.

Premises and equipment

Premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are computed over the estimated useful lives of the assets using primarily the straight-line method. Additions to premises and equipment and major replacements or improvements are capitalized at cost. Maintenance, repairs and minor replacements are expensed when incurred. Gains and losses on routine dispositions are reflected in current operations.

(Continued)

Advertising expense

Advertising, promotional and other business development costs are generally expensed as incurred. External costs incurred in producing media advertising are expensed the first time the advertising takes place. External costs relating to direct mailing costs are expensed in the period in which the direct mailings are sent. Advertising, promotional and other business development costs of $426,000, $504,000 and $431,000, were included in the Company's results of operations for 2004, 2003, and 2002, respectively.

Securities sold under agreements to repurchase

The Bank enters into sales of securities under agreements to repurchase. Fixed-coupon repurchase agreements are treated as financing, with the obligation to repurchase securities sold being reflected as a liability and the securities underlying the agreements remaining as assets.

Income taxes

Income taxes are accounted for in accordance with SFAS No. 109, *"Accounting for Income Taxes"*. Under SFAS No. 109, deferred tax liabilities are recognized on all taxable temporary differences (reversing differences where tax deductions initially exceed financial statement expense, or income is reported for financial statement purposes prior to being reported for tax purposes). In addition, deferred tax assets are recognized on all deductible temporary differences (reversing differences where financial statements expense initially exceeds tax deductions, or income is reported for tax purposes prior to being reported for financial statement purposes). Valuation allowances are established to reduce deferred tax assets if it is determined to be "more likely than not" that all or some portion of the potential deferred tax assets will not be realized.

Reclassifications

Certain amounts in the financial statements for the years ended December 31, 2003 and 2002 have been reclassified, with no effect on net income to be consistent with the classifications adopted for the year ended December 31, 2004.

Net income per share

The Company computes net income per share in accordance with SFAS No. 128, *"Earnings Per Share."* Net income per share is computed on the basis of the weighted average number of common shares outstanding: 789,006 in 2004, 789,290 in 2003 and 788,553 in 2002. The Company does not have any dilutive instruments and therefore only basic net income per share is presented. Net income per share has been adjusted for all periods presented to reflect the 10% stock dividend issued in 2004.

Fair values of financial instruments

SFAS No. 107, *"Disclosures About Fair Value of Financial Instruments,"* as amended by SFAS No. 119 and SFAS No. 133, requires disclosure of fair value information for financial instruments, whether or not recognized in the balance sheet, when it is practicable to estimate the fair value. SFAS No. 107 defines a financial instrument as cash, evidence of an ownership interest in an entity or contractual obligations which require the exchange of cash or other financial instruments. Certain items are specifically excluded from the disclosure requirements, including the Company's common stock. In addition, other nonfinancial instruments such as premises and equipment and other assets and liabilities are not subject to the disclosure requirements.

The following methods and assumptions were used by the Company in estimating fair values of financial instruments as disclosed herein:

Cash and due from banks - The carrying amounts of cash and due from banks (cash on hand, due from banks and interest bearing deposits with other banks) approximate their fair value.

(Continued)

Fair values of financial instruments, continued

Federal funds sold - The carrying amounts of federal funds sold approximate their fair value.

Investment securities available for sale and held to maturity - Fair values for investment securities are based on quoted market prices.

Other investments - No ready market exists for Federal Reserve and Federal Home Loan Bank Stock and they have no quoted market value. However, redemption of this stock has historically been at par value.

Loans - For variable rate loans that reprice frequently and for loans that mature within one year, fair values are based on carrying values. Fair values for all other loans are estimated using discounted cash flow analyses, with interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. Fair values for impaired loans are estimated using discounted cash flow analyses or underlying collateral values, where applicable.

Deposits - The fair values disclosed for demand deposits are, by definition, equal to their carrying amounts. The carrying amounts of variable rate, fixed-term money market accounts and short-term certificates of deposit approximate their fair values at the reporting date. Fair values for long-term fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities.

Short-term borrowings - The carrying amounts of borrowings under repurchase agreements, federal funds purchased, and U. S. Treasury demand notes approximate their fair values.

Off balance sheet instruments - Fair values of off balance sheet lending commitments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing.

Recently issued accounting standards

In April 2003, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities", which amends and clarifies accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and loan commitments that relate to the origination of mortgage loans held for sale, and for hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". SFAS No. 149 clarifies under what circumstances a contract with an initial net investment meets the characteristics of a derivative, clarifies when a derivative contains a financing component, amends the definition of an underlying to conform it to language used in FASB Interpretation ("FIN") No. 45, and amends certain other existing pronouncements. The pronouncement was generally effective for contracts entered into or modified after June 30, 2003. The adoption of SFAS No. 149 did not have any impact on the financial condition or operating results of the Company.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity", which establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS No. 150 requires an issuer to classify certain financial instruments that include certain obligations, such as mandatory redemption, repurchase of the issuer's equity, or settlement by issuing equity, previously classified as equity, as liabilities or assets in come circumstances. SFAS No. 150 was generally effective for financial instruments entered into or modified after May 31, 2003, and otherwise was effective at the beginning of the first interim period beginning after June 15, 2003, except for mandatorily redeemable financial instruments of nonpublic entities which are subject to the provisions of SFAS No. 150 for the first fiscal period beginning after December 15, 2003. The adoption of SFAS No. 150 did not have any impact on the financial condition or operating results of the Company.

(Continued)

Recently issued accounting standards, continued

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets, an amendment of APB Opinion No. 29, Accounting for Nonmonetary Transactions." The amendments made by SFAS No. 153 are based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. Further, the amendments eliminate the narrow exception for nonmonetary exchanges of similar productive assets and replace it with a broader exception for exchanges of nonmonetary assets that do not have commercial substance. Previously, Accounting Principles Board ("APB") Opinion No. 29 required that the accounting for an exchange of a productive asset for a similar productive asset or an equivalent interest in the same or similar productive asset should be based on the recorded amount of the asset relinquished. APB Opinion No. 29 provided an exception to its basic measurement principle (fair value) for exchanges of similar productive assets. SFAS No. 153 is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. Earlier application is permitted for nonmonetary asset exchanges occurring in fiscal periods beginning after the date of issuance. The provisions of this statement shall be applied prospectively. The adoption of this statement is not expected to have a material impact on the financial condition or operating results of the Company.

In November 2002, the FASB issued FASB Interpretation ("FIN") No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN No. 45 elaborates on the disclosure to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees and warranties that it has issued. FIN 45 requires a company, at the time it issues a guarantee, to recognize an initial liability for the fair value of obligations assumed under the guarantee. The initial recognition requirements of FIN No. 45 were effective for guarantees issued or modified after December 31, 2002. The disclosure requirements were effective for financial statements for periods ending after December 15, 2002. The adoption of FIN No. 45 did not have a material impact on the Company's financial position or results of operations.

In December 2003, the FASB issued FIN No. 46 (revised), "Consolidation of Variable Interest Entities" ("FIN No. 46(R)"), which addresses consolidation by business enterprises of variable interest entities. FIN No. 46(R) requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns, or both. FIN No. 46(R) also requires disclosures about variable interest entities that a company is not required to consolidate, but in which it has a significant variable interest. FIN No. 46(R) provides guidance for determining whether an entity qualifies as a variable interest entity by considering, among other considerations, whether the entity lacks sufficient equity or its equity holders lack adequate decision-making ability. The consolidation requirements of FIN No. 46(R) applied immediately to variable interest entities created after January 31, 2003. The consolidation requirements applied to the Company's existing variable interest entities in the first reporting period ending after March 15, 2004. Certain of the disclosure requirements applied to all financial statements issued after December 31, 2003, regardless of when the variable interest entity was established. The adoption of FIN No. 46(R) did not have any impact on the Company's financial position or results of operations.

(Continued)

Recently issued accounting standards, continued

In November 2003, the Emerging Issues Task Force ("EITF") reached a consensus that certain quantitative and qualitative disclosures should be required for debt and marketable equity securities classified as available-for-sale or held-to-maturity under SFAS No. 115 and SFAS No. 124 that are impaired at the balance sheet date but for which other-than-temporary impairment has not been recognized. Accordingly the EITF issued EITF No. 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments." This issue addresses the meaning of other-than-temporary impairment and its application to investments classified as either available-for-sale or held-to-maturity under SFAS No. 115 and provides guidance on quantitative and qualitative disclosures. The disclosure requirements of EITF No. 03-1 are effective for annual financial statements for fiscal years ending after June 15, 2004. The effective date for the measurement and recognition guidance of EITF No. 03-1 has been delayed. The FASB staff has issued a proposed Board-directed FASB Staff Position ("FSP"), FSP EITF 03-1-a, "Implementation Guidance for the Application of Paragraph 16 of Issue No. 03-1." The proposed FSP would provide implementation guidance with respect to debt securities that are impaired solely due to interest rates and/or sector spreads and analyzed for other-than-temporary impairment under the measurement and recognition requirements of EITF No. 03-1. The delay of the effective date for the measurement and recognition requirements of EITF No. 03-1 will be superseded concurrent with the final issuance of FSP EITF 03-1-a. Adopting the disclosure provisions of EITF No. 03-1 did not have any impact on the Company's financial position or results of operations.

In March 2004, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin ("SAB") No. 105, "Application of Accounting Principles to Loan Commitments," to inform registrants of the Staff's view that the fair value of the recorded loan commitments should not consider the expected future cash flows related to the associated servicing of the future loan. The provisions of SAB No. 105 must be applied to loan commitments accounted for as derivatives that are entered into after March 31, 2004. The Staff will not object to the application of existing accounting practices to loan commitments accounted for as derivatives that are entered into on or before March 31, 2004, with appropriate disclosures. The Company adopted the provisions of SAB No. 105 on April 1, 2004. The adoption of SAB No. 105 did not have a material impact on the Company's financial condition or results of operations.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies that do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption.

Risks and Uncertainties

In the normal course of its business the Company encounters two significant types of risks: economic and regulatory. There are three main components of economic risk: interest rate risk, credit risk and market risk. The Company is subject to interest rate risk to the degree that its interest-bearing liabilities mature or reprice at different speeds, or on different basis, than its interest-earning assets. Credit risk is the risk of default on the Company's loan portfolio that results from borrower's inability or unwillingness to make contractually required payments. Market risk reflects changes in the value of collateral underlying loans receivable and the valuation of real estate held by the Company.

The Company is subject to the regulations of various governmental agencies. These regulations can and do change significantly from period to period. The Company also undergoes periodic examinations by the regulatory agencies, which may subject it to further changes with respect to asset valuations, amounts of required loss allowances and operating restrictions from the regulators' judgments based on information available to them at the time of their examination.

NOTE 2 - RESTRICTIONS ON CASH AND CASH EQUIVALENTS

The Bank is required to maintain average reserve balances either at the Bank or on deposit with the Federal Reserve Bank. The average amounts of these reserve balances for the years ended December 31, 2004 and 2003 were approximately $15,392,000 and $11,823,000, respectively.

NOTE 3 - INVESTMENT SECURITIES

The amortized cost and fair value of investment securities are based on contractual maturity dates. Actual maturities may differ from the contractual maturities because borrowers may have the right to prepay obligations with or without penalty. The book value, approximate fair value and expected maturities of investment securities are summarized as follows (tabular amounts in thousands):

	December 31, 2004			
	Amortized	Unrealized Holding		Fair
AVAILABLE FOR SALE	Cost	Gains	Losses	Value
Federal agencies				
Within one year	$ 22,082	$ 354	$ -	$ 22,436
One to five years	167,860	883	799	167,944
	189,942	1,237	799	190,380
State, county and municipal				
Within one year	480	1	-	481
One to five years	11,780	450	-	12,230
Six to ten years	5,234	374	-	5,608
	17,494	825	-	18,319
Mortgage Backed				
Over ten years	1,013	-	40	973
CRA Qualified Investment Fund	322	-	-	322
Total available for sale	**$ 208,771**	**$ 2,062**	**$ 839**	**$ 209,994**
HELD TO MATURITY				
State, county and municipal				
Within one year	$ 400	$ 4	$ -	$ 404
One to five years	3,477	187	-	3,664
Six to ten years	642	55	-	697
	4,519	246	-	4,765
Total held to maturity	**$ 4,519**	**$ 246**	**$ -**	**$ 4,765**

(Continued)

NOTE 3 – INVESTMENT SECURITIES, Continued

	December 31, 2003			
	Amortized	Unrealized Holding		Fair
AVAILABLE FOR SALE	Cost	Gains	Losses	Value
Federal agencies				
Within one year	$ 8,809	$ 174	$ -	$ 8,983
One to five years	149,917	3,484	273	153,128
	158,726	3,658	273	162,111
State, county and municipal				
Within one year	185	1	-	186
One to five years	10,283	522	-	10,805
Six to ten years	6,961	492	-	7,453
Over ten years	288	4	-	292
	17,717	1,019	-	18,736
Mortgage Backed				
Over ten years	1,071	-	19	1,052
CRA Qualified Investment Fund	311	-	-	311
Total available for sale	**$ 177,825**	**$ 4,677**	**$ 292**	**$182,210**
HELD TO MATURITY				
Federal agencies				
Within one year	$ 2,000	$ 55	$ -	$ 2,055
State, county and municipal				
Within one year	1,562	30	-	1,592
One to five years	3,086	227	-	3,313
Six to ten years	1,433	123	-	1,556
	6,081	380	-	6,461
Total held to maturity	**$ 8,081**	**$ 435**	**$ -**	**$ 8,516**

The following table shows gross unrealized losses and fair value, aggregated by investment category, and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2004 (tabular amounts in thousands):

AVAILABLE FOR SALE	Less than twelve months		Twelve months or more		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Federal Agencies	$94,631	$ 733	$ 2,934	$ 66	$97,565	$ 799
Mortgage Backed	-	-	973	40	973	40
Total	**94,631**	**733**	**3,907**	**106**	**98,538**	**839**

All of the Company's investments that were in an unrealized loss position at December 31, 2004 have been evaluated and deemed not to be other-than-temporarily impaired under the authoritative accounting guidance. The Company had two securities in a continuous loss position for more than twelve months. In both cases, the principal cause of the decline in market value was due to the increase in market rates subsequent to purchase of the securities.

Investment securities with an aggregate par value $99,580,000 at December 31, 2004 and $85,195,000 at December 31, 2003 were pledged to secure public deposits and for other purposes.

(Continued)

NOTE 3 - INVESTMENT SECURITIES, Continued

Other Investments, at Cost - The Bank, as a member institution, is required to own certain stock investments in the Federal Home Loan Bank of Atlanta ("FHLB") and the Federal Reserve Bank. The stock is generally pledged against any borrowings from these institutions (see Note 8). No ready market exists for the stock and it has no quoted market value. However, redemption of these stocks has historically been at par value.

The Company's investments in stock are summarized below (tabular amounts in thousands):

	December 31,	
	2004	2003
Federal Reserve Bank	$ 116	$ 116
FHLB	1,198	1,168
	$ 1,314	$ 1,284

NOTE 4 - LOANS AND ALLOWANCE FOR LOAN LOSSES

Following is a summary of loans by major classification (tabular amounts in thousands):

	December 31,	
	2004	2003
Real estate - mortgage	$ 262,543	$ 228,556
Real estate - construction	39,525	44,099
Commercial and industrial	66,184	53,559
Loans to individuals for household, family and other consumer expenditures	35,583	32,884
Agriculture	1,582	1,537
All other loans, including overdrafts	1,566	1,399
	$ 406,983	$ 362,034

The Bank's loan portfolio consisted of $286,918,000 and $248,691,000 in fixed rate loans as of December 31, 2004 and 2003, respectively. Fixed rate loans with maturities in excess of one year amounted to $228,454,000 and $196,337,000 at December 31, 2004 and 2003, respectively. The Bank has an available line of credit from the FHLB. Securing the line is a blanket lien on qualifying 1-4 family mortgages.

Changes in the allowance for loan losses are summarized as follows (tabular amounts in thousands):

	For the years ended December 31,		
	2004	2003	2002
Balance, beginning of year	$ 4,524	$ 4,155	$ 3,763
Recoveries of loans previously charged against the allowance	242	291	363
Provided from current year's income	1,155	960	985
Loans charged against the allowance	(817)	(882)	(956)
Balance, end of year	$ 5,104	$ 4,524	$ 4,155

At December 31, 2004 and 2003, non-accrual loans totaled $880,000 and $351,000, respectively. The total amount of interest earned on non-accrual loans was $28,000 in 2004, $9,000 in 2003 and $19,000 in 2002. The gross interest income which would have been recorded under the original terms of the non-accrual loans amounted to $69,000 in 2004, $26,000 in 2003, and $63,000 in 2002. As of December 31, 2004 and 2003, the Company had no impaired loans.

NOTE 5 - PREMISES AND EQUIPMENT

Premises and equipment at December 31 is summarized as follows (tabular amounts in thousands):

	2004	2003
Land and buildings	$ 20,691	$ 15,866
Furniture, fixtures and equipment	6,824	6,923
	27,515	22,789
Less accumulated depreciation and amortization	9,962	10,092
	17,553	12,697
Construction in progress	75	4,371
	$ 17,628	**$17,068**

Depreciation and amortization of premises and equipment charged to operating expense totaled $895,000 in 2004, $739,000 in 2003 and $727,000 in 2002.

NOTE 6 - DEPOSITS

A summary of deposits, by type, as of December 31 follows (tabular amounts in thousands):

	2004	2003
Transaction accounts	$ 190,005	$ 164,802
Savings deposits	49,180	43,897
Insured money market accounts	90,955	78,932
Time deposits over $100,000	100,042	86,975
Other time deposits	130,182	128,507
Total deposits	**$ 560,364**	**$503,113**

Interest paid on certificates of deposit of $100,000 or more totaled $2,046,000 in 2004, $1,929,000 in 2003, and $2,448,000 in 2002.

At December 31, 2004 the scheduled maturities of time deposits are as follows (dollar amounts in thousands):

2005	$ 202,721
2006	12,405
2007	7,839
2008	3,256
2009	4,003
	$230,224

NOTE 7 - SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Securities sold under repurchase agreements are summarized as follows (tabular amounts in thousands):

	At and for the year ended December 31, 2004	At and for the year ended December 31, 2003
Amount outstanding at year end	$ 33,950	$24,760
Average amount outstanding during year	29,194	28,752
Maximum outstanding at any month-end	33,950	32,256
Weighted average rate paid at year-end	1.43%	0.96%
Weighted average rate paid during year	1.19%	1.13%

(Continued)

NOTE 7 - SECURITIES SOLD UNDER REPURCHASE AGREEMENTS, Continued

The Bank enters into sales of securities under agreements to repurchase. These obligations to repurchase securities sold are reflected as liabilities in the consolidated balance sheets. The dollar amount of securities underlying the agreements are book entry securities maintained at The Bankers Bank. Federal agency and municipal securities with a book value of $38,711,000 ($39,178,000 fair value) and $34,100,000 ($35,341,000 fair value) at December 31, 2004 and 2003, respectively, are used as collateral for the agreements.

NOTE 8 - LINES OF CREDIT

At December 31, 2004, the Bank had unused short-term lines of credit totaling $28,000,000 to purchase Federal Funds from unrelated banks. These lines of credit are available on a one to seven day basis for general corporate purposes of the Bank. All of the lenders have reserved the right to withdraw these lines at their option.

The Bank has a demand note through the U.S. Treasury, Tax and Loan system with the Federal Reserve Bank of Richmond. The Bank may borrow up to $7,000,000 under the arrangement at an interest rate of 0.73 percent. The note is secured by Federal agency securities with a market value of $4,035,000 at December 31, 2004. The amount outstanding under the note totaled $2,895,000 and $970,000 at December 31, 2004 and 2003, respectively.

The Bank also has a line of credit from the Federal Home Loan Bank (FHLB) for $89,805,000 secured by a lien on the Bank's qualifying 1-4 family mortgages and the Bank's investment in FHLB stock. Allowable terms range from overnight to 20 years at varying rates set daily by the FHLB. At December 31, 2004 and 2003, respectively, there were no borrowings under the agreement.

NOTE 9 - INCOME TAXES

The provision for income taxes is reconciled to the amount of income tax computed at the federal statutory rate on income before income taxes as follows (dollar amounts in thousands):

	For the years ended December 31,					
	2004		2003		2002	
	Amount	%	Amount	%	Amount	%
Tax expense at statutory rate	$4,151	34.0%	$3,795	34.0%	$ 3,602	34.0%
Increase (decrease) in taxes resulting from:						
Tax exempt interest	(347)	(2.84)	(373)	(3.34)	(411)	(3.9)
State bank tax (net of federal benefit)	248	2.03	229	2.05	215	2.0
Other – net	(125)	(1.03)	(154)	(1.38)	7	.1
Tax provision	**$3,927**	**32.16%**	**$3,497**	**31.33%**	**$3,413**	**32.2%**

(Continued)

NOTE 9 - INCOME TAXES, Continued

The sources and tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

	December 31,	
	2004	**2003**
Deferred tax assets:		
Allowance for loan losses deferred for tax purposes	$ 1,567	$ 1,538
Deferred compensation	379	336
Executive retirement plan	151	136
Other	36	3
Gross deferred tax assets	2,133	2,013
Less valuation allowance	389	557
Net deferred tax assets	1,744	1,456
Deferred tax liabilities:		
Unrealized net gains on securities available for sale	(489)	(1,754)
Depreciation for income tax reporting in excess of amount for financial reporting	(428)	(359)
Gross deferred tax liabilities	(917)	(2,113)
Net deferred tax asset (liability)	**$ 827**	**$ (657)**

The net deferred tax asset is included in other assets at December 31, 2004 and the net deferred tax liability is included in other liabilities at December 31, 2003.

A portion of the change in net deferred taxes relates to the change in unrealized net gains and losses on securities available for sale. The related 2004 tax benefit of $245,000 and the 2003 deferred tax benefit of $875,000 have been recorded directly to stockholders' equity. The balance of the change in net deferred taxes results from the current period deferred tax benefit.

The following summary of the provision for income taxes includes tax deferrals which arise from temporary differences in the recognition of certain items of revenue and expense for tax and financial reporting purposes (amounts in thousands):

	For the years ended December 31,		
	2004	**2003**	**2002**
Income taxes currently payable			
Federal	$ 3,383	$ 3,524	$ 3,252
State	325	347	326
	3,708	3,871	3,578
Deferred income taxes	219	(374)	(165)
Provision for income taxes	**$ 3,927**	**$ 3,497**	**$ 3,413**

(Continued)

NOTE 10 - FINANCIAL INSTRUMENTS WITH OFF BALANCE SHEET RISK

The Bank is a party to financial instruments with off balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the accompanying consolidated balance sheets. The contract amounts of those instruments reflect the extent of involvement the Bank has in particular classes of financial instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on balance sheet instruments.

The contract value of the Bank's off balance sheet financial instruments is as follows as of December 31, 2004 (amounts in thousands):

	Contract amount
Commitments to extend credit	$ 45,644
Standby letters of credit	$ 3,328

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

NOTE 11 - COMMITMENTS AND CONTINGENCIES

At December 31, 2004, the Bank was obligated under a number of non-cancelable operating leases on land used for a branch office and a billboard contract that had initial or remaining terms of more than one year. Future minimum payments under these agreements at December 31, 2004 were (tabular amounts in thousands):

Payable in year ending	**Amount**
2005	$ 6
2006	6
2007	6
2008	5
2009 and thereafter	2
Total future minimum payments required	**$ 25**

Lease payments under all operating leases charged to expense totaled $5,000 in 2004, $5,000 in 2003, and $5,000 in 2002. The leases provide that the lessee pay property taxes, insurance and maintenance cost.

The Company is party to litigation and claims arising in the normal course of business. Management, after consultation with legal counsel, believes that the liabilities, if any, arising from such litigation and claims will not be material to the Company's financial position.

NOTE 12 - RESTRICTION ON DIVIDENDS

The ability of the Company to pay cash dividends is dependent upon receiving cash in the form of dividends from the Bank. Federal banking regulations restrict the amount of dividends that can be paid and such dividends are payable only from the retained earnings of the Bank. At December 31, 2004 the Bank's retained earnings were $58,812,000.

NOTE 13 - TRANSACTIONS WITH DIRECTORS, EXECUTIVE OFFICERS AND ASSOCIATES

Directors and executive officers of the Company and the Bank and associates of such persons are customers of and had transactions with the Bank in the ordinary course of business. Additional transactions may be expected to take place in the future. Also, included in such transactions are outstanding loans and commitments, all of which were made on comparable terms, including interest rates and collateral, as those prevailing at the time for other customers of the Bank, and did not involve more than normal risk of collectibility or present other unfavorable features.

Total loans to all executive officers and directors, including immediate family and business interests, at December 31, were as follows (tabular amounts in thousands):

	December 31,	
	2004	**2003**
Balance, beginning of year	$ 1,305	$ 2,927
New loans	664	466
Less loan payments	700	2,088
Balance, end of year	**$ 1,296**	**$ 1,305**

NOTE 14 - EMPLOYEE BENEFIT PLAN

The Bank has a defined contribution pension plan covering all employees who have attained age twenty-one and have a minimum of one year of service. Upon ongoing approval of the Board of Directors, the Bank matches one-hundred percent of employee contributions up to three percent of employee salary deferred and fifty percent of employee contributions in excess of three percent and up to five percent of salary deferred. The Board of Directors may also make discretionary contributions to the Plan. For the years ended December 31, 2004, 2003 and 2002, $595,000, $558,000, and $510,000, respectively, were charged to operations under the plan.

Supplemental benefits are provided to certain key officers under The Conway National Bank Executive Supplemental Income Plan (ESI) and the Long-Term Deferred Compensation Plan (LTDC). These plans are not qualified under the Internal Revenue Code. The plans are unfunded. However, certain benefits under the ESI Plan are informally and indirectly funded by insurance policies on the lives of the covered employees.

NOTE 15 - REGULATORY MATTERS

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital to risk-weighted assets, and of Tier I capital to average assets. Management believes, as of December 31, 2004, that the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2004, the most recent notification from the Office of the Comptroller of the Currency categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Bank's category. The Bank's actual capital amounts and ratios and minimum regulatory amounts and ratios are presented as follows (dollar amounts in thousands):

	Actual		For capital adequacy purposes Minimum		To be well capitalized under prompt corrective action provisions Minimum	
	Amount	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
As of December 31, 2004						
Total Capital (to risk weighted assets)	$ 67,786	15.87%	$ 34,162	8.00%	$ 42,702	10.00%
Tier I Capital (to risk weighted assets)	62,682	14.68	17,081	4.00	25,621	6.00
Tier I Capital (to average assets)	62,682	9.54	26,268	4.00	32,835	5.00
As of December 31, 2003						
Total Capital (to risk weighted assets)	$ 62,255	16.49%	$ 30,197	8.00 %	$ 37,746	10.00%
Tier I Capital (to risk weighted assets)	57,731	15.29	15,098	4.00	22,647	6.00
Tier I Capital (to average assets)	57,731	9.76	23,662	4.00	29,578	5.00

NOTE 16 - ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair values of the Company's financial instruments were as follows at December 31 (amounts in thousands):

	2004		2003	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
FINANCIAL ASSETS				
Cash and due from banks	$25,793	$25,793	$25,021	$25,021
Federal funds sold	-	-	1,000	1,000
Investment securities available for sale	209,994	209,994	182,210	182,210
Investment securities held to maturity	4,519	4,765	8,081	8,516
Other investments	1,314	1,314	1,284	1,284
Loans	406,983	403,226	362,034	362,791
FINANCIAL LIABILITIES				
Deposits	560,364	560,343	503,113	503,549
Securities sold under repurchase agreements	33,950	33,950	24,760	24,760
U.S. Treasury demand notes	2,895	2,895	970	970
	Notional Amount	**Fair Value**	**Notional Amount**	**Fair Value**
OFF BALANCE SHEET INSTRUMENTS				
Commitments to extend credit	$45,644	$ -	$39,308	$ -
Standby letters of credit	3,328	$ -	$828	$ -

NOTE 17 - PARENT COMPANY INFORMATION

Following is condensed financial information of CNB Corporation (parent company only) (amounts in thousands):

CONDENSED BALANCE SHEETS

	December 31, 2004	December 31, 2003
ASSETS		
Cash	$ 7,485	$ 5,282
Investment in subsidiary	63,416	60,362
Land	-	1,812
Other assets	36	37
	$ 70,937	**$ 67,493**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Dividends payable	$ 3,352	$ 2,870
Stockholders' equity (net of $148 and $104 of treasury stock)	67,585	64,623
	$ 70,937	**$ 67,493**

(Continued)

NOTE 17 - PARENT COMPANY INFORMATION, Continued

CONDENSED STATEMENTS OF INCOME

	For the years ended December 31, 2004	2003	2002
INCOME			
Dividend from bank subsidiary	$ 3,387	$ 3,097	$ 2,903
EXPENSES			
Sundry	55	54	53
Income before equity in undistributed net income of bank subsidiary	3,332	3,043	2,850
EQUITY IN UNDISTRIBUTED NET INCOME OF SUBSIDIARY	4,950	4,622	4,332
Net income	**$ 8,282**	**$ 7,665**	**$ 7,182**

CONDENSED STATEMENTS OF CASH FLOWS

	For the years ended December 31, 2004	2003	2002
OPERATING ACTIVITIES			
Net income	$ 8,282	$ 7,665	$ 7,182
Adjustments to reconcile net income to net cash provided by operating activities			
Equity in undistributed net income of bank subsidiary	(4,950)	(4,622)	(4,332)
Net cash provided by operating activities	3,332	3,043	2,850
INVESTING ACTIVITIES			
Purchase of land	-	(806)	-
Proceeds from sale of land	1,812	-	-
Net cash provided (used) by investing activities	1,812	(806)	-
FINANCING ACTIVITIES			
Dividends paid	(2,870)	(2,690)	(2,507)
Treasury stock transactions, net	(28)	16	128
Cash paid for fractional shares	(43)	-	-
Net cash used for financing activities	(2,941)	(2,674)	(2,379)
Net increase (decrease) in cash	2,203	(437)	471
CASH, BEGINNING OF THE YEAR	5,282	5,719	5,248
CASH, END OF THE YEAR	**$ 7,485**	**$ 5,282**	**$ 5,719**

NOTE 18 - QUARTERLY FINANCIAL DATA (UNAUDITED)

Unaudited condensed financial data by quarter for 2004 and 2003 is as follows (amounts, except per share data, in thousands):

	Quarter ended			
2004	**March 31**	**June 30**	**September 30**	**December 31**
Interest income	$ 7,636	$ 7,843	$ 8,191	$ 8,621
Interest expense	1,619	1,650	1,774	1,895
Net interest income	6,017	6,193	6,417	6,726
Provision for loan losses	235	210	315	395
Net interest income after provision for loan losses	5,782	5,983	6,102	6,331
Noninterest income	1,354	1,626	1,806	1,471
Noninterest expenses	4,195	4,436	4,506	5,109
Income before income taxes	2,941	3,173	3,402	2,693
Income taxes	932	1,140	935	920
Net income	**$ 2,009**	**$ 2,033**	**$ 2,467**	**$ 1,773**
Net income per share[1]	**$ 2.55**	**$ 2.57**	**$ 3.13**	**$ 2.25**
Weighted average shares outstanding[1]	**789,195**	**789,241**	**789,124**	**788,464**

[1] Adjusted for effects of 10% stock dividend

	Quarter ended			
2003	**March 31**	**June 30**	**September 30**	**December 31**
Interest income	$ 7,593	$ 7,681	$ 7,567	$ 7,625
Interest expense	1,969	1,868	1,750	1,637
Net interest income	5,624	5,813	5,817	5,988
Provision for loan losses	280	220	250	210
Net interest income after provision for loan losses	5,344	5,593	5,567	5,778
Noninterest income	1,462	1,487	1,654	1,514
Noninterest expenses	4,044	4,168	4,102	4,923
Income before income taxes	2,762	2,912	3,119	2,369
Income taxes	854	914	1,002	727
Net income	**$ 1,908**	**$ 1,998**	**$ 2,117**	**$ 1,642**
Net income per share[1]	**$ 2.42**	**$ 2.53**	**$ 2.68**	**$ 2.08**
Weighted average shares outstanding[1]	**789,826**	**789,802**	**789,468**	**788,062**

[1] Adjusted for effects of 10% stock dividend

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Based on the evaluation required by 17 C.F.R. Section 240.13a-15(b) or 240.15d-15(b) of the Corporation's disclosure controls and procedures (as defined in 17 C.F.R. Sections 240.13a-15(e) or 240.15d-15(e)), the Corporation's chief executive officer and chief financial officer concluded that the effectiveness of such controls and procedures, as of the end of the period covered by this annual report, was adequate.

(b) MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of CNB Corporation is responsible for establishing and maintaining adequate internal control over financial reporting for the company. Internal control over financial reporting is a process designed to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, transactions are executed in accordance with appropriate management authorization and accounting records are reliable for the preparation of financial statements in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has assessed the effectiveness of CNB Corporation's internal control over financial reporting as of December 31, 2004. In making our assessment, management has utilized the framework published by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission "Internal Control-Integrated Framework." Based on our assessment, management has concluded that, as of December 31, 2004, internal control over financial reporting was effective.

Elliott Davis, LLC, an independent registered public accounting firm, has issued an attestation report on management's assessment, of the Company's internal control over financial reporting, and a copy of Elliott Davis, LLC's report is included with this report.

Date: December 31, 2004

/s/W.Jennings Duncan	/s/Paul R. Dusenbury
W. Jennings Duncan	Paul R. Dusenbury
President and Chief Executive Officer	Treasurer and
	Chief Financial Officer

(c) REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Elliott Davis, LLC
Advisors-CPAs-Consultants
1901 Main Street, Suite 1650
P.O. Box 2227
Columbia, SC 29202-2227

The Directors and Stockholders
CNB Corporation
Conway, South Carolina

We have audited management's assessment, included in the accompanying Report by CNB Corporation's Management on Internal Control Over Financial Reporting, that CNB Corporation and subsidiary maintained effective internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). CNB Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that CNB Corporation and subsidiary maintained effective internal control over financial reporting as of December 31, 2004, is fairly stated, in all material respects, based on criteria established in Internal Control - Integrated Framework issued by COSO. Furthermore, in our opinion, CNB Corporation and subsidiary maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control - Integrated Framework issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of CNB Corporation and subsidiary and our report dated January 26, 2005 which expressed an unqualified opinion.

/s/Elliott Davis, LLC

Columbia, South Carolina
January 26, 2005

(d) There were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

ITEM 9B. - OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

MANAGEMENT OF THE COMPANY

Directors

The Directors and Nominees for election to the Board of Directors of the Company are as follows:

Name (Age)	Director Since	Proposed Term Expires	Present Principal Occupation	Company Stock Owned Number	%
Willis J. Duncan (78)	1958	2006	Chairman of the Board of the Company and of the Bank since 1988.	32,499(1)	4.12
W. Jennings Duncan (49)	1984	2007	President of the Company and of the Bank since 1988.	25,626(2)	3.25
James W. Barnette, Jr. (60)	1984	2007	President of Surfside Rent Mart, Inc., a general rental company located in Surfside Beach, South Carolina, since 1992.	6,411(3)	.81
*Harold G. Cushman, Jr. (75)	1963	2005	Retired in 1995 as President of Dargan Construction Company, Inc.	24,849(4)	3.15
*H. Buck Cutts (63)	2002	2005	Retired. Previously, Mr. Cutts was an attorney in private practice in Surfside Beach, South Carolina.	17,198(5)	2.18

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT
MANAGEMENT OF THE COMPANY (continued)

Name (Age)	Director Since	Proposed Term Expires	Present Principal Occupation	Company Stock Owned Number	%
Paul R. Dusenbury (46)	1997	2006	Treasurer of the Company since 1985 and Vice President and Cashier of the Bank since 1988.	1,211(6)	.15
*Robert P. Hucks (59)	1993	2005	Executive Vice President of the Company and of the Bank since 1988.	2,475(7)	.31
Richard M. Lovelace, Jr. (58)	1984	2006	Attorney in private practice in Conway, South Carolina.	1,774(8)	.22
**John K. Massey (90)	1959	2007	Retired.	6,232(9)	.79
*Howard B. Smith, III (56)	1993	2005	Executive in Residence for the Wall College of Business, Coastal Carolina University. Previously, Mr. Smith was a Practicing Certified Public Accountant with Smith, Sapp,Bookhout,Crumpler, & Callihan, P.A. in Myrtle Beach, South Carolina.	3,995	.51

* Nominee for election to the Board of Directors.

** Regrettably, John K. Massey, who served as a member of the Board of Directors since 1959, passed away on March 18, 2005.

Except as indicated below, each director or director nominee of the company has sole voting and investment power with respect to all shares of Company stock owned by such director or director nominee.

(1) Includes 13,638 shares held by Harriette B. Duncan (wife).

(2) Includes 1,831 shares held by Robin F. Duncan (wife); 3,995 shares held by Ann Louise Duncan (daughter); 3,995 shares held by Willis Jennings Duncan, V (son); and 3,995 shares held by Margaret Brunson Duncan (daughter).

(3) Includes 5,308 shares held by Janet J. Barnette (wife).

(4) Includes 23,100 shares held by the Cushman Family Limited partnership and 646 shares held by Dianne C. Cushman (wife).

(5) Includes 1,422 shares held by Brenda M. Cutts (wife).

(6) Includes 335 shares held by Jennifer S. Dusenbury (wife); 88 shares held by Elena Cox Dusenbury (daughter); and 88 shares held by Sarah Cherry Dusenbury (daughter).

(7) Includes 440 shares held by Willie Ann Hucks (wife).

(8) Includes 1,669 shares held by Rebecca S. Lovelace (wife).

(9) Includes 1,744 shares held by the estate of Bertha T. Massey (wife).

Each director or director nominee of the Company has been engaged in his principal occupation of employment as specified above for five (5) years or more unless otherwise indicated.

W. Jennings Duncan is Willis J. Duncan's son. No other family relationships exist among the above named directors or officers of the Company.

Audit Committee Financial Expert

The Company's board of directors has determined that the Company has at least one "audit committee financial expert," as that term is defined by Item 401(h) of Regulation S-K promulgated by the Securities and Exchange Commission, serving on its audit committee. Mr. Howard B. Smith, III meets the terms of the definition. Pursuant to the terms of Item 401(h) of Regulation S-K, a person who is determined to be an "audit committee financial expert" will not be deemed an expert for any purpose as a result of being designated or identified as an "audit committee financial expert" pursuant to Item 401, and such designation or identification does not impose on such person any duties, obligations or liability that are greater than the duties, obligations and liability imposed on such person as a member of the audit committee and board of directors in the absence of such designation or identification. Further, the designation or identification of a person as an "audit committee financial expert" pursuant to Item 401 does not affect the duties, obligations or liability of any other member of the audit committee or board of directors.

Executive Officers:

The Executive Officers of the Company are as follows:

Name	Age	Position(s) Currently With The Company
Willis J. Duncan	78	Chairman of the Board of the Company and the Bank
W. Jennings Duncan	49	President and Director of the Company and the Bank
Robert P. Hucks	59	Executive Vice President and Director of the Company and the Bank
Paul R. Dusenbury	46	Treasurer and Director of the Company; Vice-President, Cashier, and Director of the Bank (Chief Financial Officer and Chief Accounting Officer)

All executive officers serve at the pleasure of the Board of Directors of the Company. Each executive officer has been employed by the Company and designated an executive officer since the Company's formation in 1985.

Code of Ethics

The Corporation adopted a code of ethics (as defined by C.F.R. 229.406) that applies to its principal executive officer and principal financial officer. A copy of the Code of Ethics was included as Exhibit 99 with a Form 8-K dated August 13, 2004.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors and executive officers and persons who own more than ten percent of a registered class of the Company's equity securities to file reports of ownership on Form 3 and changes in ownership on Form 4 or 5 with the Securities and Exchange Commission (the "SEC") and the National Association of Securities Dealers. Such officers, directors, and 10 percent shareholders are also required by SEC rules to furnish the Company with copies of all Section 16(a) forms that they file.

Based solely on its review of copies of such reports received or written representations from certain reporting persons, the Company believes that during the fiscal year ended December 31, 2004, all Section 16(a) filing requirements applicable to its officers, directors, and 10 percent shareholders were complied with.

ITEM 11. COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

Summary Compensation Table

Annual Compensation

Name and Principal Position	Year	($) Salary	($) Bonus	Other Annual(1) Compensation	All Other Compensation
W. Jennings Duncan	2004	183,360	28,504	(1)	29,548(2)
President and	2003	176,304	27,446	(1)	30,162
Director of the Bank	2002	167,112	28,156	(1)	29,992
Robert P. Hucks	2004	162,096	25,314	(1)	37,608(3)
Executive Vice	2003	155,844	24,377	(1)	36,798
President and	2002	147,720	25,005	(1)	34,736
Director of the Bank					
Paul R. Dusenbury	2004	150,300	23,545	(1)	22,587(4)
Vice President,	2003	144,504	22,676	(1)	23,383
Cashier and Director	2002	136,968	23,257	(1)	23,494
of Bank					

(1) The value of perquisites did not exceed the lesser of $50,000 or 10% of the total annual salary and bonus reported.

(2) The amount is comprised of $14,669 contributed by the Bank to the Bank’s profit-sharing and savings defined contribution plan, all of which is vested, $5,711 accrued in connection with The Conway National Bank Executive Supplemental Income Plan, and $9,168 contributed by the Bank to the Bank's Phantom Stock Deferred Compensation Plan.

(3) The amount is comprised of $12,968 contributed by the Bank to the Bank’s profit-sharing and savings defined contribution plan, all of which is vested, $16,535 accrued in connection with The Conway National Bank Executive Supplemental Income Plan, and $8,105 contributed by the Bank to the Bank's Phantom Stock Deferred Compensation Plan.

(4) The amount is comprised of $12,024 contributed by the Bank to the Bank’s profit-sharing and savings defined contribution plan, all of which is vested, $3,048 accrued in connection with The Conway National Bank Executive Supplemental Income Plan, and $7,515 contributed by the Bank to the Bank's Phantom Stock Deferred Compensation Plan.

PENSION PLAN DISCLOSURE

The Bank has a defined contribution pension plan covering all employees who have attained age twenty-one and have a minimum one year of service. Upon ongoing approval of the Board of Directors, the Bank matches one hundred percent of employee contributions up to three percent of employee contributions of salary deferred and fifty percent of employee contributions in excess of three percent and up to five percent of salary deferred. The Board of Directors may also make discretionary contributions to the Plan. For the years ended December 31, 2004, 2003, and 2002, $595,000, $558,000, and $510,000, respectively, was charged to operations under the plan.

Executive Supplemental Income Plan and Phantom Stock Deferred Compensation Plan

The Board of Directors of the Bank provides supplemental benefits to certain key officers, under The Conway National Bank Executive Supplemental Income (ESI) Plan and a Phantom Stock Deferred Compensation Plan. A copy of said plans was filed as Exhibits 10(a) and 10(b) with an amended Form 10-K Annual Report dated June 10, 2002. The following summary discussion of certain provisions of these plans is qualified in its entirety by reference to the plans. These plans are not qualified under the Internal Revenue Code. These plans are unfunded, however, certain benefits under the ESI Plan are informally and indirectly funded by insurance policies on the lives of the covered employees.

Under the provisions of the ESI Plan, the Bank and the participating employees will execute agreements providing each employee (or his beneficiary, if applicable) with a pre-retirement death benefit and a post-retirement annuity benefit. The ESI Plan is designed to provide participating employees with a pre-retirement benefit based on a percentage of the employee's current compensation. The ESI agreement's post-retirement benefit is designed to supplement a participating employee's retirement benefits from Social Security in order to provide the employee with a certain percentage of his final average income at retirement age. Upon normal retirement age, Willis J. Duncan, W. Jennings Duncan, Robert P. Hucks, and Paul R. Dusenbury are eligible to receive fifteen annual payments of $9,650, $37,178, $30,827, and $28,379, respectively. While the employee is receiving benefits under the ESI Agreement, the agreement will prohibit the employee from competing with the Bank and will require the participating employee to be available for consulting work for the Bank. The ESI Agreement may be amended or revoked at any time prior to the participating employee's death or retirement, but only with the mutual written consent of the covered employee and the Bank. The ESI Agreements require that the participating employee be employed at the Bank at the earlier of death or retirement to be eligible to receive, or have his beneficiary receive, benefits under the agreement.

Under the Phantom Stock Deferred Compensation Plan, certain key employees are provided phantom stock units by the Bank at its discretion. Each unit is equivalent in value to one share of the Company's stock at market value. The number of units shall be equitably adjusted and restated to reflect changes in the number of common shares outstanding resulting from stock splits, stock dividends, stock issuances, and stock redemptions. The number of units also shall be equitably adjusted and restated to reflect cash dividends paid to Company common shareholders. The employee receives appreciation, if any, in the market value of the unit as compared to the initial value per unit.

Compensation Committee Interlocks and Insider Participation

The members of the Executive Committee of the Board, which serves as the Compensation Committee, are Harold G. Cushman, Jr., Willis J. Duncan, and W. Jennings Duncan. Messrs, Willis J. Duncan and W. Jennings Duncan are executive officers of the Company and the Bank.

Director Compensation

In 2004 Directors who are not Bank officers received $500 for each monthly meeting of the Board of Directors and an additional $200 for each committee meeting attended. The Chairman of the Audit Committee received an additional $75 per Audit Committee meeting attended. Beginning in 2005, Directors who are not Bank officers will receive $750 for each monthly meeting of the Board of Directors and an additional $250 for each committee meeting attended. The Chairman of the Audit Committee will continue to receive an additional $25 per Audit Committee meeting attended.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth as of December 31, 2004, certain information regarding the ownership of Company Stock of all executive officers and directors of the Company. No shareholder is known to the management of the Company to be the beneficial owner of more than five (5%) percent of the Company Stock. The Company Stock is the Company's only class of voting securities.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership(1)	Percent of Class
All Executive Officers and Directors as a Group		
(10 persons)	122,270	15.5%

(1) For a description of the amount and nature of ownership of the directors of the Company, see "Management of the Company -Directors."

Securities Authorized for Issuance under Equity Compensation Plans

The Company does not have any compensation plans (including individual compensation arrangements) under which equity securities of the registrant are authorized for issuance.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Directors, principal shareholders, and Executive Officers of the Company and the Bank are customers of and had transactions with the Bank in the ordinary course of business. Included in such transactions are outstanding loans and commitments, all of which were made on comparable terms, including interest rates and collateral as those prevailing at the time for other customers of the Bank, and did not involve more than normal risk of collectibility or present other unfavorable features. Richard M. Lovelace, a director of the Company and the Bank has provided legal services to the Company and the Bank in the past and is expected to continue to do so in the future.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Elliott Davis, LLC served as the Company's auditor during the fiscal years ended December 31, 2004 and 2003. The following table shows the fees that the Company paid or accrued for the audit and other services provided by Elliott Davis, LLC for the fiscal years ended December 31, 2004 and 2003.

	Year Ended December 31, 2004	Year Ended December 31, 2003
Audit Fees	$46,500	$43,400
Audit-Related Fees	27,500	5,500
Tax Fees	6,390	4,800
All Other Fees	11,502	8,400
Total	$91,892	$62,100

Audit Fees. This category includes the aggregate fees billed for professional services rendered by Elliott Davis, LLC for the audit of the Company's annual consolidated financial statements for the years ended December 31, 2004 and 2003 and for reviews of the financial statements included in the Company's reports on Forms 10-Q and 10-K. These fees include amounts paid or expected to be paid for each respective year's audit. Reimbursements for travel and other out-of-pocket expenses are not included.

Audit Related Fees. This category includes the aggregate fees billed for non-audit services, exclusive of the fees disclosed relating to audit fees, rendered by Elliott Davis, LLC during the fiscal years ended December 31, 2004 and 2003. These services principally include the assistance and issuance of consents for various filings with the SEC and for the examination of the Company's assertions regarding internal controls in accordance with the Federal Deposit Insurance Corporation Improvement Act and the Sarbanes-Oxley Act.

Tax Fees. This category includes the aggregate fees billed for tax services rendered by Elliott Davis, LLC during the fiscal years ended December 31, 2004 and 2003. These services were primarily for the preparation of state and federal tax returns for the Company and its subsidiary. Additionally, Elliott Davis, LLC assists the Company with tax compliance and provides limited tax consultation services.

All Other Fees. This category includes the aggregate fees billed for all other services, exclusive of the fees disclosed above, rendered by Elliott Davis, LLC during the fiscal years ended December 31, 2004 and December 31, 2003. These other services consisted of audits of the 401(k) plan.

AUDIT COMMITTEE PRE-APPROVAL OF AUDIT AND PERMISSIBLE NON-AUDIT SERVICES

OF

INDEPENDENT AUDITORS.

The Audit Committee substantially pre-approves all audit and non-audit services and fees provided by the independent auditors. These services include audit services, audit-related services, tax services and other services. The terms and related fees of the 401(k) engagement are reported to the Audit Committee.

All of the principal accounting services and fees reflected in the table, unless otherwise noted, were reviewed and approved by the Audit Committee. Substantially all of the services were performed by individuals employed by the independent auditor.

PART IV.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) The following exhibits, financial statements and financial statement schedules are filed as part of this report:

FINANCIAL STATEMENTS

Report of Independent Registered Accounting Firm
Consolidated Statements of Condition - December 31, 2004 and 2003
Consolidated Statements of Income - Years ended December 31, 2004, 2003, and 2002
Consolidated Statements of Changes in Stockholders' Equity - Years ended December 31, 2004, 2003, and 2002
Consolidated Statements of Comprehensive Income - Years ended December 31, 2004, 2003, and 2002.
Consolidated Statements of Cash Flows - Years Ended December 31, 2004, 2003, and 2002
Notes to Consolidated Financial Statements

FINANCIAL STATEMENT SCHEDULES

All financial statement schedules have been omitted from this Annual Report because the required information is presented in the financial statements or in the notes thereto or the required subject matter is not applicable.

EXHIBITS

See Exhibit Index.

(b) Reports on Form 8-K - No reports on Form 8-K were filed during the last quarter of the period covered in this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

/s/W.Jennings Duncan
W. Jennings Duncan, President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on April 5, 2005.

Signature	Capacity
/s/Willis J. Duncan Willis J. Duncan	Chairman of the Board
/s/W. Jennings Duncan W. Jennings Duncan	President and Director
/s/Robert P. Hucks Robert P. Hucks	Executive Vice President and Director
/s/Paul R. Dusenbury Paul R. Dusenbury	Treasurer and Director (Chief Financial Officer and Chief Accounting Officer)
/s/Virginia B. Hucks Virginia B. Hucks	Secretary
/s/James W. Barnette, Jr. James W. Barnette, Jr.	Director
/s/Harold G. Cushman, Jr. Harold G. Cushman, Jr.	Director
/s/H. Buck Cutts H. Buck Cutts	Director

EXHIBIT INDEX

Exhibit Number	
3	Articles of Incorporation – The Articles of Incorporation of the Company are incorporated herein by reference to Exhibit 3(a) which was filed with a Form 8-A dated June 24, 1998.
	By-laws of the Company – The By-laws of the Company are incorporated herein by reference to Exhibit 3(b) which was filed with a Form 10-Q Quarterly Report dated June 30, 1997.
10.1	Executive Supplemental Income Plan – The Executive Supplemental Income Plan is incorporated herein by reference to Exhibit 10(a) which was filed with a Form 10-K/A Annual Report dated June 10, 2002
10.2	Deferred Compensation Plan entitled "Phantom Stock Plan" – The Phantom Stock Deferred Compensation Plan is incorporated herein by reference to Exhibit 10(b) which was filed with a Form 10-K/A Report dated June 10, 2002.
14.1	Code of Ethics Policy – The Conway National Bank Code of Ethics Policy is incorporated herein by reference to Exhibit 99 which was filed with a Form 8-K dated August 13, 2004.
22	Subsidiaries of the Registrant – Incorporated herein by reference to Exhibit 22 which was filed with a Form 10-K Annual Report dated March 28, 1986.
31.1	Certification of Principal Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.