

CNB CORPORATION BOARD OF DIRECTORS

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William R. Benson	George F. Sasser
W. Jennings Duncan	Lynn G. Stevens

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Christopher D. Wright	Banking Officer
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James P. Jordan, III	Banking Officer
John M. Proctor	Banking Officer

TO OUR SHAREHOLDERS AND FRIENDS:

Conway National continued to experience solid financial performance during 2006. Net income for the year ended December 31, 2006 totaled \$10,046,000, up from \$9,478,000 earned in 2005. On a per share basis, earnings have grown 6.24% from \$12.02 in 2005 to \$12.77 in 2006. We are very pleased with the income results for 2006 given the unique circumstances we have experienced during the past eighteen months.

As of December 31, 2006, total assets were \$837,989,000, an increase of 5.6% over December 31, 2005; total deposits amounted to \$675,419,000, an increase of 1.2% over the previous year; loans totaled \$567,345,000, an increase of 12.6% from 2005; and investment securities were \$179,598,000, a decrease of 1.3% from the prior year. Stockholders' equity totaled \$76,663,000 at December 31, 2006, resulting in a book value of \$97.63 per share. Growth in deposits was impacted by the reclassification of certain recurring funds which are now categorized as securities sold under agreement to repurchase. Total federal funds purchased and securities sold under agreement to repurchase were \$72,330,000 at December 31, 2006 as compared to \$43,296,000 at December 31, 2005, an increase of 67.1%.

Net income for the year ended December 31, 2006 of \$10,046,000 represents an annualized return on average assets of 1.24% and an annualized return on average stockholders' equity of 13.36%, which compare favorably to peer and to historical returns experienced by the Bank. Bank earnings are primarily the result of the Bank's net interest income, which increased 9.9% from \$27,115,000 for the year ended December 31, 2005 to \$29,808,000 for the year ended December 31, 2006. Other factors which affect earnings include the provision for possible loan losses, other expense, and other income. The provision for possible loan losses decreased 36.6% from \$1,275,000 in 2005 to \$808,000 in 2006. The decline in the provision for possible loan losses despite a significant increase in loans was due, in part, to very low net loan losses during 2006. The allowance for loan losses, as a percentage of net loans, declined from 1.19% at December 31, 2005 to 1.15% at December 31, 2006. This decline is attributable to the Bank's recognition of and adherence to recommendations outlined in recently issued pronouncements of both the accounting industry and regulatory agencies. Other expenses increased 14.1% from \$19,529,000 to \$22,291,000 and other income increased 10.8% from \$6,641,000 to \$7,357,000 during the same period. Non-interest expenses have increased due to additional staffing, increased compensation, fixed asset expenditures, increased advertising, increased health care costs, annual meeting related expenses, and expenses associated with the litigation settlement. Non-interest income increased primarily due to increased loan fee income, the taxable portion of insurance proceeds, and gains associated with the sale of real property.

Conway National maintained solid earnings for 2006 as the unusual growth in the local and national economy entered a period of leveling. We completed the construction of and opened our thirteenth banking office, North Conway, which opened on July 17, 2006. We also completed renovations to the first floor of our Operations and Administration building. Renovations to the second and third floors of the Operations and Administration building continue, and we expect these renovations to remain in process during 2007.

In recognition of continued strong performance, the Board of Directors declared the annual cash dividend of \$5.25 per share in the fourth quarter of 2006, an increase of 5.0% over the \$5.00 per share dividend declared in 2005.

We are very appreciative of your continued support, and we look forward to the future and continuing to build your Bank steeped in our traditions of exceptional customer service, trust, and dedication to all of the communities we serve.

W. Jennings Duncan, President
CNB Corporation and The Conway National Bank

CNB CORPORATION and THE CONWAY NATIONAL BANK



FINANCIAL REPORT

DECEMBER 31, 2006

www.conwaynationalbank.com

CNB CORPORATION AND SUBSIDIARY

Conway, South Carolina

CONSOLIDATED BALANCE SHEET (Unaudited)

	Dec. 31, 2006	Dec. 31, 2005
ASSETS:		
Cash and due from banks	\$ 34,873,000	\$ 33,461,000
Investment securities:		
Obligations of United States government agencies and corporations	156,346,000	159,127,000
Obligations of states and political subdivisions	21,195,000	21,028,000
Other securities	2,057,000	1,788,000
Total investment securities	<u>179,598,000</u>	<u>181,943,000</u>
Federal funds sold and securities purchased under agreement to resell	<u>26,000,000</u>	<u>46,000,000</u>
Loans	567,345,000	503,926,000
Less allowance for loan losses	<u>(6,476,000)</u>	<u>(5,918,000)</u>
Net loans	<u>560,869,000</u>	<u>498,008,000</u>
Bank premises and equipment.....	22,988,000	20,574,000
Other assets	13,661,000	13,362,000
Total assets	<u>\$ 837,989,000</u>	<u>\$ 793,348,000</u>
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Liabilities:		
Deposits:		
Noninterest-bearing	\$ 136,796,000	\$ 135,081,000
Interest-bearing.....	<u>538,623,000</u>	<u>532,024,000</u>
Total deposits	<u>675,419,000</u>	<u>667,105,000</u>
Federal funds purchased and securities sold under agreement to repurchase	<u>72,330,000</u>	<u>43,296,000</u>
Other short-term borrowings	<u>2,865,000</u>	<u>2,197,000</u>
Other liabilities	10,712,000	10,192,000
Total Liabilities	<u>761,326,000</u>	<u>722,790,000</u>
Stockholders' Equity:		
Common stock, par value \$10.00 per share:		
Authorized 1,500,000; issued 789,774 in 2006 and 2005	7,898,000	7,898,000
Surplus	43,555,000	43,547,000
Undivided profits	27,017,000	21,093,000
Net unrealized holding gains/(losses) on available-for-sale securities	(1,120,000)	(1,810,000)
Less treasury stock.....	<u>(687,000)</u>	<u>(170,000)</u>
Total stockholders' equity	<u>\$ 76,663,000</u>	<u>\$ 70,558,000</u>
Total liabilities and stockholders' equity	<u>\$ 837,989,000</u>	<u>\$ 793,348,000</u>

CONSOLIDATED STATEMENT OF INCOME (Unaudited)

	Twelve Months Ended	
	Dec. 31, 2006	Dec. 31, 2005
INTEREST INCOME:		
Interest and fees on loans	\$ 40,940,000	\$ 30,725,000
Interest on investment securities:		
Taxable investment securities.....	5,807,000	6,396,000
Tax-exempt investment securities.....	803,000	881,000
Other securities	128,000	65,000
Interest on federal funds sold and securities purchased under agreement to resell	<u>1,333,000</u>	<u>782,000</u>
Total interest income	<u>49,011,000</u>	<u>38,849,000</u>
INTEREST EXPENSE:		
Interest on deposits	16,226,000	9,778,000
Interest on federal funds purchased and securities sold under agreement to repurchase	1,611,000	667,000
Interest on other short-term borrowings	<u>558,000</u>	<u>14,000</u>
Total interest expense	<u>18,395,000</u>	<u>10,459,000</u>
Net interest income	30,616,000	28,390,000
Provision for loan losses	808,000	1,275,000
Net interest income after provision for loan losses	<u>29,808,000</u>	<u>27,115,000</u>
Other income:		
Service charges on deposit accounts.....	3,279,000	3,410,000
Gains/(losses) on securities	(6,000)	2,000
Other operating income.....	<u>4,084,000</u>	<u>3,229,000</u>
Total other income	<u>7,357,000</u>	<u>6,641,000</u>
Other expenses:		
Salaries and employee benefits	13,684,000	12,459,000
Occupancy expense.....	3,248,000	2,728,000
Other operating expenses	<u>5,359,000</u>	<u>4,342,000</u>
Total other expenses	<u>22,291,000</u>	<u>19,529,000</u>
Income before income taxes	14,874,000	14,227,000
Income tax provision	<u>4,828,000</u>	<u>4,749,000</u>
Net Income.....	<u>\$ 10,046,000</u>	<u>\$ 9,478,000</u>

Per share:		
Net income per weighted average shares outstanding	<u>\$ 12.77</u>	<u>\$ 12.02</u>
Cash dividend paid per share.....	<u>\$ 5.25</u>	<u>\$ 5.00</u>
Book value per actual number of shares outstanding	<u>\$ 97.63</u>	<u>\$ 89.48</u>
Weighted average number of shares outstanding	<u>786,899</u>	<u>788,496</u>
Actual number of shares outstanding.....	<u>785,279</u>	<u>788,534</u>