

**CNB CORPORATION
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William R. Benson George F. Sasser
Harold G. Cushman, III Lynn G. Stevens
W. Jennings Duncan John C. Thompson
Edward T. Kelaher

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William R. Benson Senior Vice President
Marion E. Freeman, Jr. Senior Vice President
Phillip H. Thomas Senior Vice President
M. Terry Hyman Senior Vice President
Raymond Meeks Vice President
A. Mitchell Godwin Vice President
Jackie C. Stevens Vice President
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Ernest J. Lareau Vice President
F. Timothy Howell Vice President
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Rebecca G. Singleton Banking Officer
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Debra B. Johnston Banking Officer
Freeman R. Holmes, Jr. Banking Officer
Doris B. Gasque Banking Officer
Jennie L. Hyman Banking Officer
Marsha S. Jordan Banking Officer
Sylvia G. Dorman Banking Officer
Marcie T. Shannon Banking Officer
Caroline P. Juretic Banking Officer
Sheila A. Graham Banking Officer
John H. Sawyer, Jr. Banking Officer
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Janet F. Carter Banking Officer
Dawn L. DePencier Banking Officer
Steven D. Martin Banking Officer
Carol M. Butler Banking Officer
W. Eugene Gore, Jr. Banking Officer
James P. Jordan, III Banking Officer
John M. Proctor Banking Officer
Whitney H. Hughes Banking Officer

TO OUR SHAREHOLDERS AND FRIENDS:

Conway National experienced solid financial performance in the first half of 2007. Net income for the six months ended June 30, 2007 totaled \$4,971,000, up 9.5% from \$4,538,000 earned for the same period in 2006. On a per share basis, earnings have grown 9.9% from \$5.76 in 2006 to \$6.33 in 2007. Total assets grew to \$844.2 million at June 30, 2007, with capital at \$81.3 million.

As of June 30, 2007, total assets were \$844,227,000, an increase of 2.8% over June 30, 2006; total deposits amounted to \$683,862,000, an increase of .1% over the previous year; loans totaled \$554,754,000, a decrease of .5% from 2006; and investment securities were \$205,340,000, an increase of 12.3% from the prior year. Growth in deposits was impacted by the movement of certain recurring funds from the deposit category to securities sold under agreement to repurchase. Total federal funds purchased and securities sold under agreement to repurchase were \$69,232,000 at June 30, 2007 as compared to \$32,676,000 at June 30, 2006, an increase of 111.9%. Stockholders' equity totaled \$81,311,000 at June 30, 2007, resulting in a book value of \$103.66 per share.

Net income for the six-month period ended June 30, 2007 of \$4,971,000 represents an annualized return on average assets of 1.18% and an annualized return on average stockholders' equity of 12.53%, 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 remained stable for the first half of 2007 at \$15,197,000 as compared to the first half of 2006 at \$15,192,000 despite a decline in net interest margin attributable, in part, to increased competition in the local market for both deposits and loans. Other factors which affect earnings include the provision for possible loan losses, other expense, and other income. The provision for possible loan losses decreased 44.5% from \$650,000 for the first half of 2006 to \$361,000 for the first half of 2007. The decrease in the provision for possible loan losses was primarily due to weakened loan demand associated with a slowing in the local real estate market. The allowance for loan losses, as a percentage of net loans, increased slightly from 1.15% at June 30, 2006 to 1.16% at June 30, 2007. Other expenses decreased 2.8% from \$10,912,000 to \$10,606,000 and other income increased 5.5% from \$3,249,000 to \$3,427,000 during the same period. Non-interest expenses decreased overall due to a decline in the level of expenses at the corporate level as well as the impact of the Bank's revision of its FASB 91 accounting procedures and the consequent impact of net deferred loan costs on salaries expense. However, non-interest expenses otherwise increased due to additional staffing, increased compensation, fixed asset expenditures, increased advertising, and increased health care costs. Non-interest income increased primarily due to increased service charge income on deposit accounts.

Conway National maintained solid earnings for the first half of 2007, although growth in the local real estate market has softened as compared to the level of activity experienced in 2005 and 2006. During the second quarter of 2007 we implemented deposit reclassification which should positively impact earnings during the second half of 2007. As well, the Bank will begin clearing images with the Federal Reserve in September of this year as we continue to increase operational efficiency and consequently reduce operating costs. Additionally, we have commenced the construction of our fifteenth banking office, Little River, and anticipate its opening in the first quarter of 2008. Renovations to the third floor of our Operations and Administration building are scheduled to begin during the third quarter of this year.

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

JUNE 30, 2007

www.conwaynationalbank.com

CNB CORPORATION AND SUBSIDIARY

Conway, South Carolina

CONSOLIDATED BALANCE SHEET (Unaudited)

	June 30, 2007	June 30, 2006
ASSETS:		
Cash and due from banks	\$ 31,217,000	\$ 32,732,000
Investment securities:		
Obligations of United States government agencies	22,989,000	12,174,000
Obligations of United States government sponsored entities	158,089,000	148,711,000
Obligations of states and political subdivisions	22,279,000	18,880,000
Other securities	1,983,000	3,154,000
Total investment securities	<u>205,340,000</u>	<u>182,919,000</u>
Federal funds sold and securities purchased under agreement to resell	<u>20,000,000</u>	<u>19,000,000</u>
Loans	554,754,000	557,578,000
Less allowance for loan losses	<u>(6,364,000)</u>	<u>(6,394,000)</u>
Net loans	<u>548,390,000</u>	<u>551,184,000</u>
Bank premises and equipment	<u>22,671,000</u>	<u>21,259,000</u>
Other assets	<u>16,609,000</u>	<u>14,410,000</u>
Total assets	<u>\$ 844,227,000</u>	<u>\$ 821,504,000</u>
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Liabilities:		
Deposits:		
Noninterest-bearing	\$ 135,781,000	\$ 146,388,000
Interest-bearing	548,081,000	536,481,000
Total deposits	<u>683,862,000</u>	<u>682,869,000</u>
Federal funds purchased and securities sold under agreement to repurchase	<u>69,232,000</u>	<u>32,676,000</u>
Other short-term borrowings	<u>2,049,000</u>	<u>25,187,000</u>
Other liabilities	<u>7,773,000</u>	<u>6,197,000</u>
Total Liabilities	<u>762,916,000</u>	<u>746,929,000</u>
Stockholders' Equity:		
Common stock, par value \$10.00 per share:		
Authorized 1,500,000; issued 789,774 in 2007 and 2006	7,898,000	7,898,000
Surplus	43,555,000	43,547,000
Undivided profits	31,989,000	25,631,000
Net unrealized holding gains (losses) on available-for-sale securities	(1,303,000)	(2,282,000)
Less treasury stock	<u>(828,000)</u>	<u>(219,000)</u>
Total stockholders' equity	<u>\$ 81,311,000</u>	<u>\$ 74,575,000</u>
Total liabilities and stockholders' equity	<u>\$ 844,227,000</u>	<u>\$ 821,504,000</u>

CONSOLIDATED STATEMENT OF INCOME (Unaudited)

	Six Months Ended	
	June 30, 2007	June 30, 2006
INTEREST INCOME:		
Interest and fees on loans	\$ 21,877,000	\$ 19,327,000
Interest on investment securities:		
Taxable investment securities	3,239,000	2,909,000
Tax-exempt investment securities	437,000	404,000
Other securities	49,000	41,000
Interest on federal funds sold and securities purchased under agreement to resell	<u>743,000</u>	<u>502,000</u>
Total interest income	<u>26,345,000</u>	<u>23,183,000</u>
INTEREST EXPENSE:		
Interest on deposits	9,785,000	7,374,000
Interest on federal funds purchased and securities sold under agreement to repurchase	1,327,000	521,000
Interest on other short-term borrowings	<u>36,000</u>	<u>96,000</u>
Total interest expense	<u>11,148,000</u>	<u>7,991,000</u>
Net interest income	15,197,000	15,192,000
Provision for loan losses	<u>361,000</u>	<u>650,000</u>
Net interest income after provision for loan losses	<u>14,836,000</u>	<u>14,542,000</u>
Other income:		
Service charges on deposit accounts	1,788,000	1,654,000
Gains/(losses) on securities	9,000	(6,000)
Other operating income	<u>1,630,000</u>	<u>1,601,000</u>
Total other income	<u>3,427,000</u>	<u>3,249,000</u>
Other expenses:		
Salaries and employee benefits	6,660,000	6,788,000
Occupancy expense	1,613,000	1,612,000
Other operating expenses	<u>2,333,000</u>	<u>2,512,000</u>
Total other expenses	<u>10,606,000</u>	<u>10,912,000</u>
Income before income taxes	7,657,000	6,879,000
Income tax provision	<u>2,686,000</u>	<u>2,341,000</u>
Net Income	<u>\$ 4,971,000</u>	<u>\$ 4,538,000</u>
Per share:		
Net income per weighted average shares outstanding	<u>\$ 6.33</u>	<u>\$ 5.76</u>
Cash dividend paid per share	<u>\$ 0</u>	<u>\$ 0</u>
Book value per actual number of shares outstanding	<u>\$ 103.66</u>	<u>\$ 94.61</u>
Weighted average number of shares outstanding	<u>784,837</u>	<u>788,443</u>
Actual number of shares outstanding	<u>784,412</u>	<u>788,216</u>