

CNB CORPORATION BOARD OF DIRECTORS

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William R. Benson	George F. Sasser
Harold G. Cushman, III	Lynn G. Stevens
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Jackie C. Stevens	Vice President
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Debra B. Johnston	Banking Officer
Freeman R. Holmes, Jr.	Banking Officer
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Jennie L. Hyman	Banking Officer
Marsha S. Jordan	Banking Officer
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Marcie T. Shannon	Banking Officer
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Sheila A. Graham	Banking Officer
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Nicole Scalise	Banking Officer
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Steven D. Martin	Banking Officer
Carol M. Butler	Banking Officer
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James P. Jordan, III	Banking Officer
John M. Proctor	Banking Officer
Whitney H. Hughes	Banking Officer
Justin C. Roof	Banking Officer

TO OUR SHAREHOLDERS AND FRIENDS:

Conway National experienced solid financial performance during 2007. Net income for the year ended December 31, 2007 totaled \$9,720,000, down slightly, 3.2%, from \$10,046,000 earned in 2006. On a per share basis, adjusted for the 10% stock dividend issued during September 2007, earnings declined 2.7% from \$11.60 in 2006 to \$11.29 in 2007. Also during the year, total assets grew to \$865.6 million as of December 31, 2007, with capital at \$82.1 million.

As of December 31, 2007, total assets were \$865,638,000, an increase of 3.3% over December 31, 2006; total deposits amounted to \$692,289,000, an increase of 2.6% from the previous year; loans totaled \$573,751,000, an increase of 1.1% from 2007; and investment securities were \$216,141,000, an increase of 20.3% from the prior year. The lower levels of growth in total assets, deposits, and loans are commensurate with the decline in the level of economic activity within the Bank's market area during the period. This decline is primarily associated with a slowing in the local real estate market. Regarding deposit growth, Conway National rose from third to second position in Horry County market share as of June 30, 2007, according to reports published by the FDIC. Also as of December 31, 2007, stockholders' equity rose to \$82,112,000, an increase of 7.1% over the same period in 2006 resulting in a book value of \$96.36 per share, net of the effect of the 10% stock dividend issued in September 2007.

Net income for the year ended December 31, 2007 of \$9,720,000 represents an annualized return on average assets of 1.15% and an annualized return on average stockholders' equity of 11.93%, 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 declined .4%, from \$31,015,000 for the year ended December 30, 2006 to \$30,897,000 for the year ended December 31, 2007. The decline in net interest income is attributable, in part, to the decline in economic activity as well as 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 increased 41.7% from \$808,000 in 2006 to \$1,145,000 in 2007. The increase in the provision for possible loan losses is primarily attributable to higher loan losses incurred during 2007, although this level was manageable and within guidelines established by the Bank. The allowance for loan losses, as a percentage of net loans, remained steady at 1.15% for December 31, 2006 and December 31, 2007. Other expenses declined slightly, 1.4%, from \$22,339,000 for 2006 to \$22,019,000 for 2007, and other income increased slightly, .6%, from \$6,958,000 to \$7,002,000 during the same period. Non-interest expenses decreased due to decreases in advertising expense, a decline in the amount of expenses at the corporate level, 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, and non-recurring other miscellaneous expense incurred in 2006. These decreases were offset by additional staffing costs, increased compensation and benefits expense, increased occupancy expense, and increased audit and examination fees. Non-interest income increased primarily due to increased service charge income on deposit accounts offset by a decrease in loan fees and the non-recurrence of extraordinary other income received in 2006.

Conway National maintained solid earnings for the year ended December 31, 2007 despite the decline in economic activity during the period. During the year the Bank implemented deposit reclassification, began clearing images with the Federal Reserve thus completing the Check 21 conversion process, implemented a new automated lock box system, and completed renovations to our Operations and Administration building. The construction of our fifteenth banking office, Little River, is also nearing completion; and we anticipate its opening in March of 2008.

In recognition of continued strong performance, the Board of Directors declared a cash dividend of \$5.25 per share in the fourth quarter of 2007. Given the 10.0% stock dividend declared in the third quarter of 2007, total cash dividends paid to shareholders increased approximately 10.0% as compared to 2006. Thank you for your continued support which makes the Bank's success and these dividends possible.

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

CNB CORPORATION and THE CONWAY NATIONAL BANK



FINANCIAL REPORT

DECEMBER 31, 2007

www.conwaynationalbank.com

CNB CORPORATION AND SUBSIDIARY

Conway, South Carolina

CONSOLIDATED BALANCE SHEET (Unaudited)

	Dec. 31, 2007	Dec. 31, 2006
ASSETS:		
Cash and due from banks	\$ 20,941,000	\$ 34,872,000
Investment securities:		
Obligations of United States government sponsored entities	186,154,000	156,346,000
Obligations of states and political subdivisions	26,978,000	21,195,000
Other securities	3,009,000	2,057,000
Total investment securities	<u>216,141,000</u>	<u>179,598,000</u>
Federal funds sold and securities purchased under agreement to resell	26,000,000	26,000,000
Loans	573,751,000	567,325,000
Less allowance for loan losses	(6,507,000)	(6,476,000)
Net loans	<u>567,244,000</u>	<u>560,849,000</u>
Bank premises and equipment	22,928,000	22,988,000
Other assets	12,384,000	13,315,000
Total assets	<u>\$ 865,638,000</u>	<u>\$ 837,622,000</u>
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Liabilities:		
Deposits:		
Noninterest-bearing	\$ 112,450,000	\$ 129,763,000
Interest-bearing	579,839,000	545,289,000
Total deposits	<u>692,289,000</u>	<u>675,052,000</u>
Federal funds purchased and securities sold under agreement to repurchase	60,936,000	72,330,000
Other short-term borrowings	17,377,000	2,865,000
Other liabilities	12,924,000	10,712,000
Total Liabilities	<u>783,526,000</u>	<u>760,959,000</u>
Stockholders' Equity:		
Common stock, par value \$10.00 per share:		
Authorized 1,500,000; issued 789,774 in 2006 and 868,422 in 2007	8,684,000	7,898,000
Surplus	55,939,000	43,555,000
Undivided profits	19,047,000	27,017,000
Net unrealized holding gains/(losses) on available-for-sale securities	1,025,000	(1,120,000)
Less treasury stock	(2,583,000)	(687,000)
Total stockholders' equity	<u>\$ 82,112,000</u>	<u>\$ 76,663,000</u>
Total liabilities and stockholders' equity	<u>\$ 865,638,000</u>	<u>\$ 837,622,000</u>

CONSOLIDATED STATEMENT OF INCOME (Unaudited)

	Twelve Months Ended	
	Dec. 31, 2007	Dec. 31, 2006
INTEREST INCOME:		
Interest and fees on loans	\$ 43,878,000	\$ 41,340,000
Interest on investment securities:		
Taxable investment securities	7,313,000	5,807,000
Tax-exempt investment securities	901,000	802,000
Other securities	128,000	127,000
Interest on federal funds sold and securities purchased under agreement to resell	<u>1,536,000</u>	<u>1,335,000</u>
Total interest income	<u>53,756,000</u>	<u>49,411,000</u>
INTEREST EXPENSE:		
Interest on deposits	19,977,000	16,229,000
Interest on federal funds purchased and securities sold under agreement to repurchase	2,800,000	1,611,000
Interest on other short-term borrowings	<u>82,000</u>	<u>556,000</u>
Total interest expense	<u>22,859,000</u>	<u>18,396,000</u>
Net interest income	30,897,000	31,015,000
Provision for loan losses	1,145,000	808,000
Net interest income after provision for loan losses	<u>29,572,000</u>	<u>30,207,000</u>
Other income:		
Service charges on deposit accounts	3,621,000	3,279,000
Gains/(losses) on securities	9,000	-
Other operating income	<u>3,372,000</u>	<u>3,679,000</u>
Total other income	<u>7,002,000</u>	<u>6,958,000</u>
Other expenses:		
Salaries and employee benefits	14,044,000	13,684,000
Occupancy expense	3,338,000	3,247,000
Other operating expenses	<u>4,637,000</u>	<u>5,408,000</u>
Total other expenses	<u>22,019,000</u>	<u>22,339,000</u>
Income before income taxes	14,735,000	14,826,000
Income tax provision	<u>5,015,000</u>	<u>4,780,000</u>
Net Income	<u>\$ 9,720,000</u>	<u>\$ 10,046,000</u>

*Per share:		
Net income per weighted average shares outstanding	<u>\$ 11.29</u>	<u>\$ 11.60</u>
Cash dividend paid per share	<u>\$ 5.25</u>	<u>\$ 4.77</u>
Book value per actual number of shares outstanding	<u>\$ 96.36</u>	<u>\$ 88.75</u>
Weighted average number of shares outstanding	<u>861,065</u>	<u>865,589</u>
Actual number of shares outstanding	<u>852,104</u>	<u>863,807</u>

*Adjusted for the effect of a 10% stock dividend issued during 2007.