SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended **September 30, 2008**

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______________________ to ________________________

Commission file number: **000-24523**

CNB Corporation

(Exact name of registrant as specified in its charter)

South Carolina	**57-0792402**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1400 Third Avenue, Conway, S.C.	**29526**
(Address of principal executive offices)	(Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes _X_. No __.

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

Large accelerated filer [ ]	Accelerated filer [**X**]
Non-accelerated filer [ ](Do not check if a smaller reporting company)	Smaller Reporting Company [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). [ ] Yes [**X**] No.

State the number of shares outstanding of each of the issuer's classes of common equity as of the latest practical date: 830,449 shares of common stock, par value $10 per share, November 1, 2008.

CNB Corporation

CAUTIONARY NOTICE WITH RESPECT TO FORWARD LOOKING STATEMENTS

This report contains "forward-looking statements" within the meaning of the securities laws. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. In order to comply with the terms of the safe harbor, the Company notes that a variety of factors could cause the Company's actual results and experience to differ materially from the anticipated results or other expectations expressed in the Company's forwarding-looking statements.

All statements that are not historical facts are statements that could be "forward-looking statements." You can identify these forward-looking statements through the use of words such as "may," "will," "should," "could," "would," "expect," "anticipate," "assume," indicate," "contemplate," "seek," "plan," "predict," "target," “outlook,” "potential," "believe," "intend," "estimate," "project, " "continue," or other similar words. Forward-looking statements include, but are not limited to, statements regarding the Company's future business prospects, revenues, working capital, liquidity, capital needs, interest costs, income, business operations and proposed services.

These forward-looking statements are based on current expectations, estimates and projections about the banking industry, management's beliefs, and assumptions made by management. Such information includes, without limitation, discussions as to estimates, expectations, beliefs, plans, strategies, and objectives concerning future financial and operating performance. These statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions that are difficult to predict. Therefore, actual results may differ materially from those expressed or forecasted in such forward-looking statements. The risks and uncertainties include, but are not limited to:

- future economic and business conditions;
- lack of sustained growth in the economies of the Company's market areas;
- government monetary and fiscal policies;
- the effects of changes in interest rates on the levels, composition and costs of deposits, loan demand, and the values of loan collateral, securities, and interest sensitive assets and liabilities;
- the effects of competition from a wide variety of local, regional, national and other providers of financial, investment, and insurance services, as well as competitors that offer banking products and services by mail, telephone, computer and/or the Internet;
- credit risks;
- higher than anticipated levels of defaults on loans;
- perceptions by depositors about safety of their deposits;
- ability to weather the current economic downturn;
- loss of consumer or investor confidence;
- the failure of assumptions underlying the establishment of the allowance for loan losses and other estimates, including the value of collateral securing loans;
- the risks of opening new offices, including, without limitation, the related costs and time of building customer relationships and integrating operations as part of these endeavors and the failure to achieve expected gains, revenue growth and/or expense savings from such endeavors;
- changes in laws and regulations, including tax, banking and securities laws and regulations;
- changes in accounting policies, rules and practices;
- changes in technology or products may be more difficult or costly, or less effective, than anticipated;
- the effects of war or other conflicts, acts of terrorism or other catastrophic events that may affect general economic conditions and economic confidence; and
- other factors and information described in this report and in any of the other reports that we file with the Securities and Exchange Commission under the Securities Exchange Act of 1934.

All forward-looking statements are expressly qualified in their entirety by this cautionary notice. The Company has no obligation, and does not undertake, to update, revise or correct any of the forward-looking statements after the date of this report. The Company has expressed its expectations, beliefs and projections in good faith and believes they have a reasonable basis. However, there is no assurance that these expectations, beliefs or projections will result or be achieved or accomplished.

PART I.

Item 1. Financial Statements

CNB Corporation and Subsidiary
Condensed Consolidated Balance Sheets
(All Dollar Amounts, Except Per Share Data, in Thousands)

ASSETS:	September 30, 2008 (Unaudited)	December 31, 2007	September 30, 2007 (Unaudited)
Cash and due from banks	$ 18,110	$ 20,941	$ 18,255
Investment securities held to maturity (Fair values of $8,362 at September 30, 2008, $7,731 at December 31, 2007, and $2,864 at September 30, 2007)	8,297	7,711	2,817
Investment securities available for sale (Amortized cost of $186,666 at September 30, 2008, $204,425 at December 31, 2007, and $204,023 at September 30, 2007	188,374	206,133	204,150
Federal funds sold and securities purchased under agreement to resell	20,000	26,000	30,500
Other investments	2,124	2,297	1,623
Loans:			
Total loans	588,371	573,751	562,831
Less allowance for possible loan losses	(6,792)	(6,507)	(6,389)
Net loans	581,579	567,244	556,442
Bank premises and equipment	23,003	22,928	22,544
Other assets	12,003	12,384	12,735
Total assets	$853,490	$865,638	$849,066
LIABILITIES AND STOCKHOLDERS' EQUITY:			
Deposits:			
Non-interest bearing	$111,473	$112,450	$125,115
Interest-bearing	574,543	579,839	552,685
Total deposits	686,016	692,289	677,800
Federal funds purchased and securities sold under agreement to repurchase	60,812	60,936	72,792
United States Treasury demand notes	2,674	2,377	5,817
Federal Home Loan Bank advances	10,000	15,000	0
Short term note payable	1,119	0	0
Other liabilities	6,899	12,924	7,967
Total liabilities	767,520	783,526	764,376
Stockholders' equity:			
Common stock, par value $10 per share: Authorized 1,500,000 in 2008 and 2007; issued 868,422 at September 30, 2008, December 31, 2007, and September 30, 2007.	8,684	8,684	8,684
Capital in excess of par value of stock	55,951	55,939	55,939
Retained earnings	26,110	19,047	21,320
Accumulated other comprehensive income	1,025	1,025	76
Less: Treasury stock	(5,800)	(2,583)	(1,329)
Total stockholders' equity	85,970	82,112	84,690
Total liabilities and stockholders' equity	$853,490	$865,638	$849,066

See Notes to Consolidated Financial Statements

CNB Corporation and Subsidiary
Condensed Consolidated Statement of Income
(All Dollar Amounts, Except Per Share Data, in Thousands)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Interest Income:				
Interest and fees on loans	$9,914	$10,980	$30,653	$32,872
Interest on investment securities:				
Taxable investment securities	1,758	2,022	6,158	5,315
Tax-exempt investment securities	268	224	815	661
Interest on federal funds sold and securities purchased under agreement to resell	110	445	532	1,188
Total interest income	12,050	13,671	38,158	40,036
Interest Expense:				
Interest on deposits	3,686	5,005	13,154	14,790
Interest on federal funds purchased and securities sold under agreement to repurchase	321	749	1,077	2,076
Interest on other short-term borrowings	43	13	173	49
Total interest expense	4,050	5,767	14,404	16,915
Net interest income	8,000	7,904	23,754	23,121
Provision for loan losses	500	220	1,354	581
Net interest income after provision for loan losses	7,500	7,684	22,400	22,540
Noninterest income:				
Service charges on deposit accounts	952	901	2,863	2,690
Gains on sale of securities available-for-sale	0	0	0	9
Other operating income	1,095	852	2,757	2,461
Total noninterest income	2,047	1,753	5,620	5,160
Noninterest expenses:				
Salaries and employee benefits	3,741	3,751	11,152	10,412
Occupancy expense	820	793	2,354	2,406
Other operating expenses	1,356	1,159	3,872	3,491
Total noninterest expenses	5,917	5,703	17,378	16,309
Income before income taxes	3,630	3,734	10,642	11,391
Income tax provision	1,245	1,188	3,580	3,874
Net income	2,385	2,546	7,062	7,517
Per Share Data				
Net income per weighted average shares outstanding	$ 2.86	$ 2.96	$ 8.42	$ 8.72
Cash dividend paid per share	$ 0	$ 0	$ 0	$ 0
Book value per actual number of shares outstanding	$103.28	$ 98.52	$103.28	$ 98.52
Weighted average number of shares outstanding	832,897	860,914	838,345	862,510
Actual number of shares outstanding	832,370	859,617	832,370	859,617

See Notes to Consolidated Financial Statements

CNB Corporation and Subsidiary
Condensed Consolidated Statements of Comprehensive Income
(All Dollar Amounts, Except Per Share Data, in Thousands)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	**2007**	**2008**	**2007**
Net Income	$ 2,385	$ 2,546	$ 7,062	$ 7,517
Other comprehensive income, net of tax				
Unrealized gains on securities:				
Unrealized holding gains during period	1,337	1,379	0	1,196
Net Comprehensive Income	**$ 3,722**	**$ 3,925**	**$ 7,062**	**$ 8,713**

See Notes to Consolidated Financial Statements

CNB Corporation and Subsidiary
Condensed Consolidated Statements of Changes in Stockholders' Equity
(All Dollar Amounts in Thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2008	**2007**
Common Stock:		
($10 par value; 1,500,000 shares authorized)		
Balance, January 1	$ 8,684	$ 8,684
Issuance of Common Stock	None	None
Stock dividend	None	None
Balance at end of period	8,684	8,684
Surplus:		
Balance, January 1	55,939	43,555
Issuance of Common Stock	None	None
Stock dividend	None	12,368
Gain on sale of Treasury stock	12	16
Balance at end of period	55,951	55,939
Undivided profits:		
Balance, January 1	19,047	27,017
Net Income	7,062	7,517
Stock dividend	None	(13,214)
Cash dividends declared	None	None
Balance at end of period	26,110	21,320
Net unrealized holding gains/(losses) on available-for-sale securities:		
Balance, January 1	1,025	(1,120)
Change in net unrealized gains/losses	0	1,196
Balance at end of period	1,025	76
Treasury stock:		
Balance, January 1 (16,316 shares in 2008; 4,495 shares in 2007)	(2,583)	(687)
Purchase of treasury stock	(3,217)	(682)
Issuance of stock	None	40
Balance at end of period (36,052 shares in 2008; 8,805 shares in 2007)	(5,800)	(1,329)
Total stockholders' equity	**$85,970**	**$84,690**

Note: Columns may not add due to rounding.

See Notes to Consolidated Financial Statements

CNB CORPORATION AND SUBSIDIARY
Condensed Consolidated Statements of Cash Flows
(All Dollar Amounts in Thousands)
(Unaudited)

	For the Nine months ended September 30, 2008	2007
OPERATING ACTIVITIES		
Net Income	$ 7,062	$ 7,517
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	1,064	965
Provision for loan losses	1,354	581
Provision for deferred income taxes	434	1,030
Discount accretion and premium amortization on investment securities	(715)	52
Gain on sale of investment securities	-	(9)
Gain on sale of foreclosed assets	(17)	-
(Increase)/decrease in accrued interest receivable	775	(705)
Increase in other assets	(657)	(171)
Decrease in other liabilities	(1,550)	(122)
Net cash provided by operating activities	7,750	9,138
INVESTING ACTIVITIES		
Proceeds from sale of investment securities available for sale	-	2,325
Proceeds from maturities/calls of investment securities held to maturity	250	1,498
Proceeds from maturities/calls of investment securities available for sale	110,351	53,479
Purchase of investment securities available for sale	(91,866)	(84,379)
Purchase of investment securities held to maturity	(847)	-
Proceeds from sale of foreclosed assets	119	-
Net (increase)/decrease in federal funds sold	6,000	(4,500)
Net (increase)/decrease in loans	(15,961)	4,868
Net proceeds from sales and purchases of equity securities	173	78
Premises and equipment expenditures	(1,139)	(521)
Net cash provided/(used) for investing activities	7,080	(27,152)
FINANCING ACTIVITIES		
Dividends paid	(4,475)	(4,123)
Net increase/(decrease) in deposits	(6,273)	2,748
Net increase/(decrease) in securities sold under repurchase agreement	(124)	462
Net increase/(decrease) in other short-term borrowings	(3,584)	2,952
Treasury stock transactions, net	(3,205)	(642)
Net cash provided/(used) by financing activities	(17,661)	1,397
Net decrease in cash and due from banks	(2,831)	(16,617)
CASH AND DUE FROM BANKS, BEGINNING OF YEAR	20,941	34,872
CASH AND DUE FROM BANKS, SEPTEMBER 30, 2008 AND 2007	$18,110	$18,255
CASH PAID FOR:		
Interest	$16,682	$16,483
Income taxes	$ 3,512	$ 3,860

See Notes to Consolidated Financial Statements

CNB CORPORATION AND SUBSIDIARY (The "Company")

CNB CORPORATION (The "Parent")

THE CONWAY NATIONAL BANK (The "Bank")

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(All Dollar Amounts in Thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Net income per share - Net income per share is computed on the basis of the weighted average number of common shares outstanding resulting in 838,345 shares for the nine-month period ended September 30, 2008 and 862,510 shares for the nine-month period ended September 30, 2007.

Recently Issued Accounting Pronouncements - The following is a summary of recent authoritative pronouncements that could impact the accounting, reporting, and/or disclosure of financial information by the Company.

In December 2007, the FASB issued SFAS No. 141(R), "Business Combinations," ("SFAS 141(R)") which replaces SFAS 141. SFAS 141(R) establishes principles and requirements for how an acquirer in a business combination recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any controlling interest; recognizes and measures goodwill acquired in the business combination or a gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. FAS 141(R) is effective for acquisitions by the Company taking place on or after January 1, 2009. Early adoption is prohibited. Accordingly, a calendar year-end company is required to record and disclose business combinations following existing accounting guidance until January 1, 2009. The Company will assess the impact of SFAS 141(R) if and when a future acquisition occurs.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51" ("SFAS 160"). SFAS 160 establishes new accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. Before this statement, limited guidance existed for reporting noncontrolling interests (minority interest). As a result, diversity in practice exists. In some cases minority interest is reported as a liability and in others it is reported in the mezzanine section between liabilities and equity. Specifically, SFAS 160 requires the recognition of a noncontrolling interest (minority interest) as equity in the consolidated financials statements and separate from the parent's equity. The amount of net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement. SFAS 160 clarifies that changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation are equity transactions if the parent retains its controlling financial interest. In addition, this statement requires that a parent recognize gain or loss in net income when a subsidiary is deconsolidated. Such gain or loss will be measured using the fair value of the noncontrolling equity investment on the deconsolidation date. SFAS 160 also includes expanded disclosure requirements regarding the interests of the parent and its noncontrolling interests. SFAS 160 is effective for the Company on January 1, 2009. Earlier adoption is prohibited. The Company is currently evaluating the impact, if any, the adoption of SFAS 160 will have on its financial position, results of operations and cash flows.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities" ("SFAS 161"). SFAS 161 requires enhanced disclosures about an entity's derivative and hedging activities, thereby improving the transparency of financial reporting. It is intended to enhance the current disclosure framework in SFAS 133 by requiring that objectives for using derivative instruments be disclosed in terms of underlying risk and accounting designation. This disclosure better conveys the purpose of derivative use in terms of the risks that the entity intends to manage. SFAS 161 is effective for the Company on January 1, 2009. This pronouncement does not impact accounting measurements but will result in additional disclosures if the Company is involved in material derivative and hedging activities at that time.

Recently Issued Accounting Pronouncements – Continued

In February 2008, the FASB issued FASB Staff Position No. 140-3, "Accounting for Transfers of Financial Assets and Repurchase Financing Transactions" ("FSP 140-3"). This FSP provides guidance on accounting for a transfer of a financial asset and the transferor's repurchase financing of the asset. This FSP presumes that an initial transfer of a financial asset and a repurchase financing are considered part of the same arrangement (linked transaction) under SFAS No. 140. However, if certain criteria are met, the initial transfer and repurchase financing are not evaluated as a linked transaction and are evaluated separately under Statement 140. FSP 140-3 will be effective for financial statements issued for fiscal years beginning after November 15, 2008, and interim periods within those fiscal years and earlier application is not permitted. Accordingly, this FSP is effective for the Company on January 1, 2009. The Company is currently evaluating the impact, if any, the adoption of FSP 140-3 will have on its financial position, results of operations and cash flows.

In April 2008, the FASB issued FASB Staff Position No. 142-3, "Determination of the Useful Life of Intangible Assets" ("FSP 142-3"). This FSP amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, "Goodwill and Other Intangible Assets". The intent of this FSP is to improve the consistency between the useful life of a recognized intangible asset under SFAS No. 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS No. 141(R), "Business Combinations," and other U.S. generally accepted accounting principles. This FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years and early adoption is prohibited. Accordingly, this FSP is effective for the Company on January 1, 2009. The Company does not believe the adoption of FSP 142-3 will have a material impact on its financial position, results of operations or cash flows.

In May, 2008, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 162, "The Hierarchy of Generally Accepted Accounting Principles," ("SFAS No. 162"). SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles (GAAP) in the United States (the GAAP hierarchy). SFAS No. 162 will be effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board's amendments to AU Section 411, "The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles." The FASB has stated that it does not expect SFAS No. 162 will result in a change in current practice. The application of SFAS No. 162 will have no effect on the Company's financial position, results of operations or cash flows.

The FASB issued FASB Staff Position No. APB 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)," ("FSP No. APB 14-1"). The Staff Position specifies that issuers of convertible debt instruments that may be settled in cash upon conversion should separately account for the liability and equity components in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. FSP No. APB 14-1 provides guidance for initial and subsequent measurement as well as derecognition provisions. The Staff Position is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption is not permitted. The adoption of this Staff Position will have no material effect on the Company's financial position, results of operations or cash flows.

In June, 2008, the FASB issued FASB Staff Position No. EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities," ("FSP EITF 03-6-1"). The Staff Position provides that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents are participating securities and must be included in the earnings per share computation. FSP EITF 03-6-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those years. All prior-period earnings per share data presented must be adjusted retrospectively. Early application is not permitted. The adoption of this Staff Position will have no material effect on the Company's financial position, results of operations or cash flows.

FSP SFAS 133-1 and FIN 45-4, "Disclosures about Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FASB Statement No. 161," ("FSP SFAS 133-1 and FIN 45-4") was issued September 2008, effective for reporting periods (annual or interim) ending after November 15, 2008. FSP SFAS 133-1 and FIN 45-4 amends SFAS 133 to require the seller of credit derivatives to disclose the nature of the credit derivative, the maximum potential amount of future payments, fair value of the derivative, and the nature of any recourse provisions. Disclosures must be made for entire hybrid instruments that have embedded credit derivatives.

The staff position also amends FIN 45 to require disclosure of the current status of the payment/performance risk of the credit derivative guarantee. If an entity utilizes internal groupings as a basis for the risk, how the groupings are determined must be disclosed as well as how the risk is managed.

Recently Issued Accounting Pronouncements - Continued

The staff position encourages that the amendments be applied in periods earlier than the effective date to facilitate comparisons at initial adoption. After initial adoption, comparative disclosures are required only for subsequent periods.

FSP SFAS 133-1 and FIN 45-4 clarifies the effective date of SFAS 161 such that required disclosures should be provided for any reporting period (annual or quarterly interim) beginning after November 15, 2008. The adoption of this Staff Position will have no material effect on the Company's financial position, results of operations or cash flows.

The SEC's Office of the Chief Accountant and the staff of the FASB issued press release 2008-234 on September 30, 2008 ("Press Release") to provide clarifications on fair value accounting. The press release includes guidance on the use of management's internal assumptions and the use of "market" quotes. It also reiterates the factors in SEC Staff Accounting Bulletin ("SAB") Topic 5M which should be considered when determining other-than-temporary impairment: the length of time and extent to which the market value has been less than cost; financial condition and near-term prospects of the issuer; and the intent and ability of the holder to retain its investment for a period of time sufficient to allow for any anticipated recovery in market value.

On October 10, 2008, the FASB issued FSP SFAS 157-3, "Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active" ("FSP SFAS 157-3"). This FSP clarifies the application of SFAS No. 157, "Fair Value Measurements" in a market that is not active and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that asset is not active. The FSP is effective upon issuance, including prior periods for which financial statements have not been issued. For the Company, this FSP is effective for the quarter ended September 30, 2008.

The Company considered the guidance in the Press Release and in FSP SFAS 157-3 when conducting its review for other-than-temporary impairment as of September 30, 2008 and determined that it did not result in a change to its impairment estimation techniques.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies are not expected to have a material impact on the Company's financial position, results of operations and cash flows.

NOTE 2 - RESTRICTIONS ON CASH AND DUE FROM BANKS

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 nine-month period ended September 30, 2008 and for the year ended December 31, 2007 were approximately $2,795 and $10,486, respectively.

NOTE 3 - INVESTMENT SECURITIES

Investment securities with a par value of approximately $181,971 at September 30, 2008 and $182,651 at December 31, 2007 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 of investment securities listed by type of issuer and maturity at September 30, 2008 and at December 31, 2007.

	September 30, 2008 (Dollars in Thousands)				
	Book Value	Unrealized Holding Gains	Unrealized Holding Losses	Fair Value	Yield(1)
AVAILABLE FOR SALE					
Government Sponsored Enterprises					
Within one year	15,725	63	-	15,788	3.88%
One to five years	136,645	1,172	74	137,743	4.02
Six to ten years	12,575	325	-	12,900	5.11
	164,945	1,560	74	166,431	4.09
Mortgage Backed Securities					
Six to ten years	525	12	11	526	4.97%
Over ten years	2,258	7	41	2,224	4.64
	2,783	19	52	2,750	4.70
State, county and municipal					
Within one year	1,580	19	-	1,599	7.11%
One to five years	4,245	157	-	4,402	7.02
Six to ten years	11,004	99	38	11,065	5.56
Over ten years	1,385	18	-	1,403	5.88
	18,214	293	38	18,469	6.06
Other Investments					
CRA Qualified Investment Fund	713	-	-	713	-
Mastercard International Stock	11	-	-	11	-
	724	-	-	724	-
Total available for sale	$186,666	$ 1,872	$ 164	$188,374	4.29%
HELD TO MATURITY					
State, county and municipal					
Within one year	$ 535	$ 5	$ -	$ 540	6.41%
One to five years	1,744	25	-	1,769	5.68
Six to ten years	4,369	49	2	4,416	5.49
Over ten years	1,649	2	14	1,637	5.46
Total held to maturity	$ 8,297	$ 81	$ 16	$ 8,362	5.58%

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

As of September 30, 2008, the Bank did not hold any securities of an issuer that exceeded 10% of stockholders' equity. The net unrealized holding gains on available-for-sale securities component of capital was $1,025 as of September 30, 2008.

NOTE 3 - INVESTMENT SECURITIES (Continued)

	December 31, 2007 (Dollars in Thousands)				
	Book Value	Unrealized Holding Gains	Unrealized Holding Losses	Fair Value	Yield(1)
AVAILABLE FOR SALE					
Government Sponsored Enterprises					
Within one year	61,611	2	236	61,377	3.56%
One to five years	103,464	1,408	8	104,864	5.03
Six to ten years	18,276	407	-	18,683	5.28
	183,351	1,817	244	184,924	4.56
Mortgage Backed Securities					
Six to ten years	389	11	-	400	5.77%
Over ten years	846	4	20	830	4.88
	1,235	15	20	1,230	5.16
State, county and municipal					
Within one year	209	3	-	212	7.08%
One to five years	6,244	166	-	6,410	6.98
Six to ten years	1,916	16	6	1,926	5.56
Over ten years	10,758	10	49	10,719	5.60
	19,127	195	55	19,267	6.06
Other Investments					
CRA Qualified Investment Fund	701	-	-	701	-
Mastercard International Stock	11	-	-	11	-
	712	-	-	712	-
Total available for sale	$204,425	$ 2,027	$ 319	$206,133	4.71%
HELD TO MATURITY					
State, county and municipal					
Within one year	$ 250	$ -	$ -	$ 250	7.56%
One to five years	1,438	32	-	1,470	6.94
Six to ten years	3,764	20	5	3,779	5.52
Over ten years	2,259	-	27	2,232	5.41
Total held to maturity	$ 7,711	$ 52	$ 32	$ 7,731	5.82%

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

As of December 31, 2007, the Bank did not hold any securities of an issuer that exceeded 10% of stockholders' equity. The net unrealized holding gains on available-for-sale securities component of capital was $1,025 as of December 31, 2007.

NOTE 4 - LOANS AND ALLOWANCE FOR LOAN LOSSES

The following is a summary of loans at September 30, 2008 and December 31, 2007 by major classification:

	September 30, 2008	December 31, 2007
Real estate loans – mortgage	$ 349,596	$ 350,138
- construction	99,957	83,398
Agricultural loans	3,286	3,264
Commercial and industrial loans	87,821	88,106
Loans to individuals for household, family and other consumer expenditures	47,073	47,731
All other loans, including overdrafts	426	794
Unamortized deferred loan costs	212	320
Gross loans	$ 588,371	$ 573,751
Less allowance for loan losses	(6,792)	(6,507)
Net loans	$ 581,579	$ 567,244

Changes in the allowance for loan losses for the quarters ended September 30, 2008 and 2007, and the year ended December 31, 2007 are summarized as follows:

	Quarter Ended September 30,		Nine-Months Ended September 30,		Year Ended December 31,
	2008	2007	2008	2007	2007
Balance, beginning of period	$ 6,736	$ 6,364	$ 6,507	$ 6,476	$ 6,476
Charge-offs:					
Commercial, financial, and agricultural	225	104	625	514	732
Real Estate - construction and mortgage	137	0	240	52	127
Loans to individuals	215	175	533	347	587
Total charge-offs	$ 577	$ 279	$ 1,398	$ 913	$ 1,446
Recoveries:					
Commercial, financial, and agricultural	$ 85	$ 22	$ 161	$ 81	$ 96
Real Estate - construction and mortgage	1	20	4	21	25
Loans to individuals	47	42	164	143	211
Total recoveries	$ 133	$ 84	$ 329	$ 245	$ 332
Net charge-offs/(recoveries)	$ 444	$ 195	$ 1,069	$ 668	$ 1,114
Additions charged to operations	$ 500	$ 220	$ 1,354	$ 581	$ 1,145
Balance, end of period	$ 6,792	$6,389	$ 6,792	$6,389	$ 6,507
Ratio of net charge-offs during the period to average loans outstanding during the period	.08%	.03%	.18%	.12%	.20%

The entire balance of the allowance for loan losses is available to absorb future loan losses.

At September 30, 2008, September 30, 2007, and December 31, 2007 loans on which no interest was being accrued totaled $3,230, $827, and $861, respectively. Of the loans on which no interest was being accrued at September 30, 2008, September 30, 2007, and December 31, 2007, the Company had classified $2,591, $462, and $523 as impaired for the same periods, respectively. The Company had $239 of foreclosed real estate at September 30, 2008, $47 of foreclosed real estate at September 30, 2007, and $64 of foreclosed real estate at December 31, 2007. Loans 90 days past due and still accruing interest totaled $248, $267, and $147 at September 30, 2008, September 30, 2007, and December 31, 2007, respectively.

At September 30, 2008, September 30, 2007, and December 31, 2007 classified assets, the majority consisting of classified loans, were $18,885, $17,449, and $15,180, respectively. At September 30, 2008, September 30, 2007, and December 31, 2007 classified assets represented 20.47%, 19.79%, and 17.63% of total capital (the sum of Tier 1 Capital and the Allowance for Loan Losses), respectively.

NOTE 5 - PREMISES AND EQUIPMENT

Property at September 30, 2008 and December 31, 2007 is summarized as follows:

	September 30, 2008	December 31, 2007
Land and buildings	$ 25,191	$ 25,192
Furniture, fixtures and equipment	8,136	7,768
Construction in progress	1,442	669
	$ 34,769	$ 33,629
Less accumulated depreciation and amortization	11,766	10,701
	$ 23,003	$ 22,928

Depreciation and amortization of bank premises and equipment charged to operating expense was $1,064 for the nine-month period ended September 30, 2008, and $1,285 for the year ended December 31, 2007. The construction in progress is primarily related to renovations to the Company's Main Office in Conway, South Carolina; the construction of a branch office located in Little River, South Carolina; the renovation of the Company's Red Hill branch office located in Conway, South Carolina; land improvements and installation of an automated teller machine (ATM) at the Company's Carolina Forest site located in Myrtle Beach, South Carolina; and renovations to the Company's Myrtle Beach branch office located in Myrtle Beach, South Carolina. There are no remaining costs to be incurred associated with the Main Office renovation, the Little River branch office construction, or the Red Hill branch office renovation. Remaining construction and equipment costs associated with the Carolina Forest ATM and the Myrtle Beach branch office renovation are estimated at approximately $212 and $17, respectively.

NOTE 6 - CERTIFICATES OF DEPOSIT IN EXCESS OF $100,000

At September 30, 2008 and December 31, 2007, certificates of deposit of $100,000 or more included in time deposits totaled approximately $201,255 and $201,855, respectively. Interest expense on these deposits was approximately $6,475 for the nine-month period ended September 30, 2008 and $8,944 for the year ended December 31, 2007.

NOTE 7 - SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

At September 30, 2008 and December 31, 2007, securities sold under repurchase agreements totaled $60,812 and $60,936, respectively. Securities with a book value of $70,465 ($71,296 fair value) and $74,717 ($76,064 fair value), respectively, were used as collateral for the agreements. The weighted-average interest rate of these agreements was 2.15 percent and 4.20 percent at September 30, 2008 and December 31, 2007, respectively.

NOTE 8 - LINES OF CREDIT

At September 30, 2008, the Bank had unused short-term lines of credit to purchase Federal Funds from unrelated banks totaling $38,500. 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 under the arrangement at a variable interest rate. The note is secured by bonds with a market value of $4,003 at September 30, 2008. The amount outstanding under the note totaled $2,674 and $2,377 at September 30, 2008 and December 31, 2007, respectively.

The Bank also has a line of credit from the Federal Home Loan Bank of Atlanta for $88,332 secured by a lien on the Bank's 1-4 family mortgages. Allowable terms range from overnight to twenty years at varying rates set daily by the FHLB. There were $10,000 in borrowings under the agreement at September 30, 2008 and $15,000 at December 31, 2007.

NOTE 9 - INCOME TAXES

Income tax expense for the quarters ended September 30, 2008 and September 30, 2007 on pretax income of $3,630 and $3,734 totaled $1,245 and $1,188, respectively. The provision for federal income taxes is calculated by applying the 34% statutory federal income tax rate and increasing or reducing this amount due to any tax-exempt interest, state bank tax (net of federal benefit), business credits, surtax exemption, tax preferences, alternative minimum tax calculations, or other factors. A summary of income tax components and a reconciliation of income taxes to the federal statutory rate are included in fiscal year-end reports.

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes," and FASB Interpretation No. 48 (FIN48), Accounting for Uncertainty in Income Taxes – an Interpretation of SFAS No. 109."

NOTE 10 - COMMITMENTS AND CONTINGENT LIABILITIES

From time to time the Bank is a party to various litigation matters, both as plaintiff and as defendant, arising from its normal operations. No material losses are anticipated in connection with any of these matters at September 30, 2008.

In the normal course of business, the Bank is a party to financial instruments with off-balance-sheet risk including commitments to extend credit and standby letters of credit. Such instruments have elements of credit risk in excess of the amount recognized in the balance sheet. The exposure to credit loss in the event of nonperformance by the other parties to the financial instruments for commitments to extend credit and standby letters of credit is represented by the contractual notional amount of those instruments. Generally, the same credit policies used for on-balance-sheet instruments, such as loans, are used in extending loan commitments and standby letters of credit.

Following are the off-balance-sheet financial instruments whose contract amounts represent credit risk:

	September 30, 2008
Loan Commitments	$ 57,754
Standby letters of credits	2,274

Loan commitments involve agreements to lend to a customer 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 some involve payment of a fee. Many of the commitments are expected to expire without being fully drawn. Therefore, the total amount of loan commitments does not necessarily represent future cash requirements. Each customer's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if any, upon extension of credit is based on management's credit evaluation of the borrower. Collateral held varies but may include certificates of deposit or other negotiable collateral, commercial and residential real properties, accounts receivable, inventory and equipment.

Standby letters of credit are conditional commitments to guarantee the performance of a customer to a third party. The credit risk involved in issuing standby letters of credit is the same as that involved in making loan commitments to customers. Many letters of credit will expire without being drawn upon and do not necessarily represent future cash requirements.

Management believes that its various sources of liquidity provide the resources necessary for the bank subsidiary to fund the loan commitments and to perform under standby letters of credit, if the need arises. Neither the Company nor the Bank are involved in other off-balance sheet contractual relationships or transactions that could result in liquidity needs or other commitments or significantly impact earnings.

NOTE 11 - 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 three-month and nine-month periods ended September 30, 2008 and the year ended December 31, 2007, $199, $482, and $712, respectively, was charged to operations under the plan.

NOTE 12 - REGULATORY MATTERS

The Bank and the Company are 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 financial statements. The regulations require the Bank and the Company to meet specific capital adequacy guidelines that involve quantitative measures of assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital classification is 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 maintenance of minimum amounts and ratios (set forth in the tables below) of Tier 1 capital to adjusted total assets (Leverage Capital ratio) and minimum ratios of Tier 1 and total capital to risk-weighted assets. To be considered adequately capitalized under the regulatory framework for prompt corrective action, the Company and the Bank must maintain minimum Tier 1 leverage, Tier 1 risk-based and total risked-based ratios as set forth in the tables below. The Company's and the Bank's actual capital ratios are presented in the tables below as of September 30, 2008:

Company

	Actual		For Capital adequacy Purposes Minimum	
	Amount	**Ratio**	**Amount**	**Ratio**
Total Capital (to risk weighted assets)	$91,736	15.32%	$47,890	8.0%
Tier 1 Capital (to risk weighted assets)	84,944	14.19	23,945	4.0
Tier 1 Capital (to average assets)	84,944	9.78	34,732	4.0

Bank

	Actual		For Capital adequacy Purposes Minimum		To be Well capitalized under prompt corrective action provisions Minimum	
	Amount	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
Total Capital (to risk weighted assets)	$92,252	15.41%	$47,887	8.0%	$59,859	10.0%
Tier 1 Capital (to risk weighted assets)	85,460	14.28	23,944	4.0	35,915	6.0
Tier 1 Capital (to average assets)	85,460	9.84	34,730	4.0	43,413	5.0

NOTE 13 - FAIR VALUE MEASUREMENTS

Effective January 1, 2008, the Company adopted SFAS No. 157, "Fair Value Measurements" ("SFAS 157") which provides a framework for measuring and disclosing fair value under generally accepted accounting principles. SFAS 157 requires disclosures about the fair value of assets and liabilities recognized in the balance sheet in periods subsequent to initial recognition, whether the measurements are made on a recurring basis (for example, available-for-sale investment securities) or on a nonrecurring basis (for example, impaired loans).

SFAS 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. SFAS 157 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market, as well as U.S. Treasuries and money market funds.

Level 2 Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments, mortgage backed securities, municipal bonds, corporate debt securities, and derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes certain derivative contracts and impaired loans.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. For example, this category generally includes certain private equity investments, retained residual interests in securitizations, residential mortgage servicing rights, and highly-structured or long-term derivative contracts.

The Company has no assets or liabilities whose fair values are measured using level 1 inputs.

The Company’s available-for-sale investment securities ($188,374 at September 30, 2008) include debt securities of U.S. government sponsored enterprises, municipal bonds, and mortgage backed securities. The Company considers the market quoted prices of these instruments to be equivalent to debt securities that are traded less frequently than exchange-traded instruments and therefore classifies them as Level 2 inputs. Also, the Company predominantly makes loans for the purposes of real estate acquisition, construction, agriculture, commercial and industrial needs, and consumer expenditures. The majority of the Company's loans are real estate secured. Loans which are deemed to be impaired are primarily valued at the fair values of the underlying real estate collateral. Such fair values are obtained using independent appraisals, which the Company considers to be level 2 inputs. The aggregate carrying amount of impaired loans at September 30, 2008 was $2,591. The Company’s available-for-sale investment securities and impaired loans are the only assets whose fair values the Company measures using level 2 inputs. The Company has no liabilities whose fair values are measured using level 2 inputs.

The Company has no assets or liabilities whose fair values are measured using level 3 inputs.

FASB Staff Position No. FAS 157-2 delays the implementation of SFAS 157 until the first quarter of 2009 with respect to goodwill, other intangible assets, real estate and other assets acquired through foreclosure and other non-financial assets measured at fair value on a nonrecurring basis.

NOTE 14 - CONDENSED FINANCIAL INFORMATION

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

CONDENSED BALANCE SHEET
(Unaudited)

	September 30, 2008	September 30, 2007
ASSETS		
Cash	$ 577	$ 1,776
Investment in subsidiary	86,486	81,769
Fixed Assets	0	1,109
Other assets	37	36
	$ 87,100	$ 84,690
LIABILITIES AND STOCKHOLDERS' EQUITY		
Short-term note payable	$ 1,119	$ 0
Other liabilities	11	0
Stockholders' equity	85,970	84,690
	$ 87,100	$ 84,690

CONDENSED STATEMENT OF INCOME
(Unaudited)

	For the nine-month period ended September 30, 2008	For the nine-month period ended September 30, 2007
Equity in net income of subsidiary	$ 6,881	$ 7,602
Other income	283	1
Other expenses	(102)	(86)
NET INCOME	$ 7,062	$ 7,517

Item 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(All dollar amounts in thousands, except per share data.)

Management's Discussion and Analysis is provided to afford a clearer understanding of the major elements of the Company's results of operations, financial condition, 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. In addition, the results of operations for the interim periods shown in this report are not necessarily indicative of results to be expected for the fiscal year. The accompanying consolidated financial statements include all accounts of the Company and the Bank. All significant intercompany accounts and transactions have been eliminated in consolidation. The accompanying unaudited consolidated financial statements at September 30, 2008 and for the three and nine-month periods ending September 30, 2008 and 2007 have been prepared in accordance with generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q of the Securities and Exchange Commission. Accordingly, they do not include all information and footnotes required by GAAP for complete financial statements. However, in the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included.

DISTRIBUTION OF ASSETS AND LIABILITIES

The Company has historically maintained a conservative approach in determining the distribution of assets and liabilities. Loans increased 4.5% from $562,831 at September 30, 2007 to $588,371 at September 30, 2008, and increased 2.5%, from $573,751 at December 31, 2007 to $588,371 at September 30, 2008. Loans increased as a percentage of total assets from 66.3% to 68.9% from September 30, 2007 to September 30, 2008 and increased from 66.3% to 68.9% from December 31, 2007 to September 30, 2008. Loan demand in our market area slowed to a moderate pace during 2007. This trend has continued throughout the first three quarters of 2008 and is expected to continue through the remainder of 2008. Securities and federal funds sold decreased as a percentage of total assets from 28.1% at September 30, 2007 to 25.6% at September 30, 2008, and decreased from 28.0% of total assets at December 31, 2007 to 25.6% at September 30, 2008, a reflection of continued moderate loan demand coupled with a lower level of percentage growth in deposits. The level of investments and federal funds sold provides for a more than adequate supply of liquidity.

Management has sought to build the deposit base with stable, relatively non-interest-sensitive deposits by offering the small to medium deposit account holders a wide array of deposit instruments at competitive rates. Non-interest-bearing demand deposits decreased as a percentage of total assets from 14.7% at September 30, 2007 to 13.1% at September 30, 2008, and increased slightly from 13.0.% at December 31, 2007 to 13.1% at September 30, 2008. As more customers, both business and personal, are attracted to interest-bearing deposit accounts, we expect the percentage of non-interest bearing demand deposits to decline over the long-term. Interest-bearing deposits increased from 65.1% of total assets at September 30, 2007 to 67.3% at September 30, 2008, and increased from 67.0% at December 31, 2007 to 67.3% at September 30, 2008. Securities sold under agreement to repurchase decreased from 8.6% at September 30, 2007 to 7.1% at September 30, 2008, and increased slightly from 7.0% of total assets at December 31, 2007 to 7.1% at September 30, 2008. Other short-term borrowings decreased from 2.0% of total assets at December 31, 2007 to 1.6% at September 30, 2008. Other short-term borrowings increased from .7% at September 30, 2007 to 1.6% at September 30, 2008.

The following table sets forth the percentage relationship to total assets of significant components of the Company's balance sheets as of September 30, 2008 and September 30, 2007 and December 31, 2007:

	September 30, 2008	September 30, 2007	December 31, 2007
Assets:			
Earning assets:			
Loans	68.9%	66.3%	66.3%
Securities held to maturity	1.0	.3	.9
Securities available for sale	22.3	24.2	24.1
Federal funds sold and securities purchased under agreement to resell	2.3	3.6	3.0
Total earning assets	94.5	94.4	94.3
Other assets	5.5	5.6	5.7
Total assets	100.0%	100.0%	100.0%
Liabilities and stockholder's equity:			
Interest-bearing liabilities:			
Interest-bearing deposits	67.3%	65.1%	67.0%
Federal funds purchased and securities sold under agreement to repurchase	7.1	8.6	7.0
Other short-term borrowings	1.6	.7	2.0
Total interest-bearing liabilities	76.0	74.4	76.0
Noninterest-bearing deposits	13.1	14.7	13.0
Other liabilities	.8	.9	1.5
Stockholders' equity	10.1	10.0	9.5
Total liabilities and stockholders' equity	100.0%	100.0%	100.0%

RESULTS OF OPERATIONS

Earnings for the three-month periods ended September 30, 2008 and 2007 were $2,385 and $2,546, respectively, resulting in a return on average assets of 1.11% and 1.19% and a return on average stockholders' equity of 11.42% and 12.34%, respectively.

Earnings for the nine-month periods ended September 30, 2008 and 2007 were $7,062 and $7,517, respectively, resulting in a return on average assets of 1.09% and 1.19% and a return on average stockholders' equity of 11.29% and 12.47%, respectively.

The earnings were primarily attributable to net interest income in each period (see Net Income-Net Interest Income). Other factors include management's ongoing effort to maintain noninterest income at adequate levels (see Net Income - Noninterest Income) and to control noninterest expenses (see Net Income - Noninterest Expenses). This level of earnings, coupled with a moderate dividend policy, has supplied the necessary capital funds to support growth in total assets. Total assets increased $4,424 or .5% to $853,490 at September 30, 2008 from $849,066 at September 30, 2007. The following table sets forth the financial highlights for the three and nine-month periods ending at September 30, 2008 and September 30, 2007:

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

	Three-Month Period Ended September 30,			Nine-Month Period Ended September 30,		
	2008	2007	Percent Increase (Decrease)	2008	2007	Percent Increase (Decrease)
Net interest income after provision for loan losses	$ 7,500	$ 7,684	(2.4)%	$ 22,400	$ 22,540	(.6)%
Income before income taxes	3,630	3,734	(2.8)	10,642	11,391	(6.6)
Net Income	2,385	2,546	(6.3)	7,062	7,517	(6.1)
Per Share	2.86	2.96	(3.4)	8.42	8.72	(3.4)
Cash dividends declared	0	0	-	0	0	-
Per Share	0	0	-	0	0	-
Total assets	853,490	849,066	.5%	853,490	849,066	.5%
Total deposits	686,016	677,800	1.2	686,016	677,800	1.2
Loans	588,371	562,831	4.5	588,371	562,831	4.5
Investment securities and securities available for sale	196,671	206,967	(5.0)	196,671	206,967	(5.0)
Stockholders' equity	85,970	84,690	1.5	85,970	84,690	1.5
Book value per share	103.28	98.52	4.8	103.28	98.52	4.8
Ratios:						
Annualized return on average total assets(1)	1.11%	1.19%	(6.7)%	1.09%	1.19%	(8.4)%
Annualized return on average stockholders' equity(1)	11.42%	12.34%	(7.5)%	11.29%	12.47%	(9.5)%

(1) For the three-month period ended September 30, 2008, average total assets amounted to $855,838 with average stockholders equity totaling $83,508 for the same period.

For the nine-month period ended September 30, 2008, average total assets amounted to $861,822 with average stockholders' equity totaling $83,376 for the same period.

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 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, securities, deposits, and borrowed funds.

Interest rates paid on deposits and borrowed funds and earned on loans and investments have generally followed the fluctuations in market interest rates in 2008 and 2007. 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 on which the interest rate can be re-priced either up or down within a certain time interval. A rate sensitive liability (RSL) is an interest paying deposit or other liability on which the interest rate can be re-priced either up or down 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-term earning power. Management believes that a 200 basis point rise or fall in interest rates will have less than a 10 percent effect on before-tax net interest income over a one-year period, which is within Bank guidelines.

The Bank has maintained net interest margins for the three-month and nine-month periods ended September 30, 2008, of 4.03% and 3.96%, respectively, and 4.00% and 3.98%, respectively, for the same periods in 2007, as compared to management’s long-term target of 4.20%. Net interest margins have been compressed for the Bank and industry-wide as we experienced a flat to slightly inverted treasury yield curve during 2007. Interest rate reductions by the Federal Reserve during the second half of 2007, improved this situation. However, dramatic decreases in market interest rates during the first quarter of 2008 and an additional decrease in the second quarter of 2008 placed further significant pressure on net interest margins for the industry as a whole. The resulting more historically typical upward-sloping yield curve should enhance the Bank’s net interest margin in future periods. Still, competition in the Bank’s specific market remains significant, as new competitors seek market share and other competitors attempt to reduce their dependence on brokered deposits. These factors tend to compress margins by driving the cost of deposits upward while driving the yields on loans downward.

Fully-tax-equivalent net interest income for the three-month period ended September 30, 2008 was $8,138, an increase of 1.5% from the $8,019 attained for the three-month period ended September 30, 2007. During the same period, total fully-tax-equivalent interest income decreased by 11.6% to $12,188 from $13,786 and total interest expense decreased by 29.8% to $4,050 from $5,767. Fully-tax-equivalent net interest income as a percentage of average total earning assets increased .03% to 4.03% for the three-month period ended September 30, 2008 from 4.00% for the three-month period ended September 30, 2007.

Fully-tax-equivalent net interest income showed a 3.0% increase at $24,174 for the nine-month period ended September 30, 2008 as compared to $23,462 for the nine-month period ended September 30, 2007. During the same period, total fully-tax-equivalent interest income decreased by 4.5% to $38,578 from $40,377, and total interest expense decreased by 14.8% to $14,404 from $16,915. Fully-tax-equivalent net interest income as a percentage of total earning assets decreased .02% to 3.96.% for the nine-month period ended September 30, 2008 from 3.98% for the nine-month period ended September 30, 2007.

The tables on the following four pages present an analysis of average balances, yields and rates for the interest sensitive segments of the Company’s balance sheets for the three-month and nine-month periods ended September 30, 2008 and 2007, and a summary of changes in net interest income resulting from changes in volume and changes in rate between the three-month and nine-month periods ended September 30, 2008 and 2007.

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

	Three Months Ended 9/30/08			Three Months Ended 9/30/07		
	Avg. Balance	Interest Income/ Expense	Avg. Ann. Yield or Rate	Avg. Balance	Interest Income/ Expense	Avg. Ann. Yield or Rate
Assets:						
Earning assets:						
Loans, net of unearned income (1)	$588,912	$ 9,914	6.73%	$558,715	$ 10,980	7.86%
Securities:						
Taxable	169,964	1,758	4.14	186,552	2,022	4.34
Tax-exempt	26,970	406 (2)	6.02	21,679	339 (2)	6.25
Federal funds sold and securities purchased under agreement to resell	22,549	110	1.95	35,591	445	5.00
Total earning assets	808,395	12,188	6.03	802,537	13,786	6.87
Other assets	47,443			52,453		
Total assets	$855,838			$854,990		
Liabilities and stockholder equity						
Interest-bearing liabilities:						
Interest-bearing deposits	$581,509	3,686	2.54	$549,020	5,005	3.65
Federal funds purchased and securities sold under agreement to repurchase	59,469	321	2.16	72,074	749	4.16
Other short-term borrowings	6,006	43	2.86	2,019	13	2.58
Total interest-bearing liabilities	$646,984	$ 4,050	2.50	$623,113	$ 5,767	3.70
Noninterest-bearing deposits	117,035			134,186		
Other liabilities	8,311			15,155		
Stockholders' equity	83,508			82,536		
Total liabilities and stockholders' equity	$855,838			$854,990		
Net interest income as a percent of total earning assets	$808,395	$ 8,138	4.03	$802,537	$ 8,019	4.00
Ratios:						
Annualized return on average total assets			1.11			1.19
Annualized return on average stockholders' equity			11.42			12.34
Cash dividends declared as a percent of net income			0			0
Average stockholders' equity as a percent of:						
Average total assets			9.76			9.65
Average total deposits			11.95			12.08
Average loans			14.18			14.77
Average earning assets as a percent of average total assets			94.46			93.87

(1) The Company had no out-of-period adjustments or foreign activities. Loan fees of $141 and $140 are included in the above interest income for September 30, 2008 and 2007, respectively. Loans on a non-accrual basis for the recognition of interest income totaling $3,230 and $827 for September 30, 2008 and 2007, respectively, are included in loans for the purpose of this analysis.

(2) Tax-exempt income is presented on a tax-equivalent basis using a 34% tax rate. The amounts shown include tax-equivalent adjustments of $138 and $115 for September 30, 2008 and 2007, respectively.

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

	Nine Months Ended 9/30/08			Nine Months Ended 9/30/07		
	Avg. Balance	Interest Income/ Expense	Avg. Ann. Yield or Rate	Avg. Balance	Interest Income/ Expense	Avg. Ann. Yield or Rate
Assets:						
Earning assets:						
Loans, net of unearned income (1)	$586,156	$ 30,653	6.97%	$562,701	$ 32,872	7.79%
Securities:						
Taxable	173,502	6,158	4.73	171,521	5,315	4.13
Tax-exempt	27,390	1,235 (2)	6.01	21,423	1,002 (2)	6.24
Federal funds sold and securities purchased under agreement to resell	27,537	532	2.58	30,673	1,188	5.16
Total earning assets	814,585	38,578	6.31	786,318	40,377	6.85
Other assets	47,237			58,460		
Total assets	$861,822			$844,778		
Liabilities and stockholder equity						
Interest-bearing liabilities:						
Interest-bearing deposits	$590,773	13,154	2.97	$545,710	14,790	3.61
Federal funds purchased and securities sold under agreement to repurchase	56,941	1,077	2.52	67,919	2,076	4.08
Other short-term borrowings	5,344	173	4.32	1,647	49	3.97
Total interest-bearing liabilities	$653,058	$ 14,404	2.94	$615,276	$ 16,915	3.67
Noninterest-bearing deposits	116,799			135,376		
Other liabilities	8,589			13,720		
Stockholders' equity	83,376			80,406		
Total liabilities and stockholders' equity	$861,822			$844,778		
Net interest income as a percent of total earning assets	$814,585	$ 24,174	3.96	$786,318	$ 23,462	3.98

Ratios:		
Annualized return on average total assets	1.09	1.19
Annualized return on average stockholders' equity	11.29	12.47
Cash dividends declared as a percent of net income	0	0
Average stockholders' equity as a percent of:		
Average total assets	9.67	9.52
Average total deposits	11.78	11.81
Average loans	14.22	14.29
Average earning assets as a percent of average total assets	94.52	93.08

(1) The Company had no out-of-period adjustments or foreign activities. Loan fees of $472 and $451 are included in the above interest income for September 30, 2008 and 2007, respectively. Loans on a non-accrual basis for the recognition of interest income totaling $3,230 and $827 for September 30, 2008 and 2007, respectively, are included in loans for the purpose of this analysis.

(2) Tax-exempt income is presented on a tax-equivalent basis using a 34% tax rate. The amounts shown include tax-equivalent adjustments of $420 and $341 for September 30, 2008 and 2007, respectively.

The table "Rate/Volume Variance Analysis" provides a summary of changes in net interest income resulting from changes in rate and changes in volume. The changes due to rate are calculated as the difference between the current and prior year's rates multiplied by the prior year's volume. The changes due to volume are calculated as the difference between the current and prior year's volume multiplied by the current rates earned or paid (this calculation effectively allocates all rate/volume variances to volume variances).

CNB Corporation and Subsidiary
Rate/Volume Variance Analysis
For the Three Months Ended September 30, 2008 and 2007
(Dollars in Thousands)

	Average Volume 2008	Average Volume 2007	Yield/Rate 2008(3)	Yield/Rate 2007(3)	Interest Earned/Paid 2008	Interest Earned/Paid 2007	Variance	Change Due to Rate	Change Due to Volume
Earning Assets:									
Loans , Net of unearned Income (1)	$588,912	$558,715	6.73%	7.86%	$9,914	$10,980	$(1,066)	$(1,574)	$ 508
Investment securities:									
Taxable	169,964	186,552	4.14%	4.34%	1,758	2,022	(264)	(92)	(172)
Tax-exempt (2)	26,970	21,679	6.02%	6.25%	406	339	67	(13)	80
Federal funds sold and Securities purchased under agreement to resell	22,549	35,591	1.95%	5.00%	110	445	(335)	(271)	(64)
Total Earning Assets	$808,395	$802,537	6.03%	6.87%	$12,188	$13,786	$(1,598)	$(1,950)	$ 352
Interest-bearing Liabilities:									
Interest-bearing deposits	$581,509	$549,020	2.54%	3.65%	$ 3,686	$ 5,005	$(1,319)	$(1,525)	$ 206
Federal funds purchased and securities sold under agreement to repurchase	59,469	72,074	2.16%	4.16%	321	749	(428)	(360)	(68)
Other short-term borrowings	6,006	2,019	2.86%	2.58%	43	13	30	1	29
Total Interest-bearing Liabilities	646,984	623,113	2.50%	3.70%	4,050	5,767	(1,717)	(1,884)	167
Interest-free Funds Supporting Earning Assets	161,411	179,424							
Total Funds Supporting Earning Assets	$808,395	$802,537	2.00%	2.87%	$ 4,050	$ 5,767	$ (1,717)	$(1,884)	$ 167
Interest Rate Spread			3.53%	3.17%					
Impact of Non-interest-bearing Funds on Net Yield on Earning Assets			.50%	.83%					
Net Yield on Earning Assets			4.03%	4.00%	$ 8,138	$ 8,019			

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

CNB Corporation and Subsidiary
Rate/Volume Variance Analysis
For the Nine Months Ended September 30, 2008 and 2007
(Dollars in Thousands)

	Average Volume 2008	Average Volume 2007	Yield/Rate 2008(3)	Yield/Rate 2007(3)	Interest Earned/Paid 2008	Interest Earned/Paid 2007	Variance	Change Due to Rate	Change Due to Volume
Earning Assets:									
Loans , Net of unearned Income (1)	$586,156	$562,701	6.97%	7.79%	$30,653	$32,872	$(2,219)	$(3,446)	$ 1,227
Investment securities:									
Taxable	173,502	171,521	4.73%	4.13%	6,158	5,315	843	773	70
Tax-exempt (2)	27,390	21,423	6.01%	6.24%	1,235	1,002	233	(36)	269
Federal funds sold and Securities purchased under agreement to resell	27,537	30,673	2.58%	5.16%	532	1,188	(656)	(595)	(61)
Total Earning Assets	$814,585	$786,318	6.31%	6.85%	$38,578	$40,377	$(1,799)	$(3,304)	$ 1,505
Interest-bearing Liabilities:									
Interest-bearing deposits	$590,773	$545,710	2.97%	3.61%	$13,154	$14,790	$(1,636)	$(2,639)	$ 1,003
Federal funds purchased and securities sold under agreement to repurchase	56,941	67,919	2.52%	4.08%	1,077	2,076	(999)	(791)	(208)
Other short-term borrowings	5,344	1,647	4.32%	3.97%	173	49	124	4	120
Total Interest-bearing Liabilities	653,058	615,276	2.94%	3.67%	14,404	16,915	(2,511)	(3,426)	915
Interest-free Funds Supporting Earning Assets	161,527	171,042							
Total Funds Supporting Earning Assets	$814,585	$786,318	2.35%	2.87%	$14,404	$16,915	$(2,511)	$(3,426)	$ 915
Interest Rate Spread			3.37%	3.18%					
Impact of Non-interest-bearing Funds on Net Yield on Earning Assets			.59%	.80%					
Net Yield on Earning Assets			3.96%	3.98%	$24,174	$23,462			

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

NET INCOME (continued)

Provision for Loan Losses – The allowance for loan losses is maintained at an amount based on considerations of classified and internally-identified problem loans, the current trend in delinquencies, the volume of past-due loans, historical loss experience, current economic conditions, over-margined real estate loans, if any, the effects of changes in risk selection or underwriting practices, the experience, ability and depth of lending management and staff, industry conditions, the effect of changes in concentrations of credit, and loan administration risks.

The provision for loan losses was $500 for the three-month period ended September 30, 2008 and $220 for the three-month period ended September 30, 2007. Net loan charge-offs/(recoveries) totaled $444 for the three-month period ended September 30, 2008 and $195 for the same period in 2007.

The provision for loan losses was $1,354 for the nine-month period ended September 30, 2008 and $581 for the nine-month period ended September 30, 2007. Net loan charge-offs/(recoveries) totaled $1,069 for the nine-month period ended September 30, 2008 and $668 for the same period in 2007. The increased provisions during the nine-month period ended September 30, 2008 reflects moderate growth in the loan portfolio and a higher level of net charge-offs during the period. The allowance for loan losses as a percentage of net loans was 1.17% at September 30, 2008 and was 1.15% at September 30, 2007.

The levels of loans on which no interest was being accrued, impaired loans, foreclosed real estate, and classified assets at September 30, 2008 and 2007 are outlined in the notes to the consolidated unaudited financial statements (See NOTE 4 – LOANS AND ALLOWANCE FOR LOAN LOSSES). All of these measurements increased during 2008, some markedly, and remained above levels historically experienced by the Company at September 30, 2008. Although increased, management considers all such levels well manageable, within guidelines previously established by the Company, and well below current industry averages. However, management recognizes the potential for further deterioration of economic conditions in the Company's market areas in the short-term, especially with respect to real estate related activities and real property values. Consequently, management anticipates the Company will continue to incur above average provisions for loan losses in the fourth quarter of 2008, through the first half of 2009, and possibly further into the future.

Securities Transactions – At September 30, 2008, December 31, 2007, and September 30, 2007 total market value appreciation in the investment portfolio totaled $1,773, $1,728, and $174, respectively. As indicated, market values increased from September 30, 2007 to December 31, 2007, and from December 31, 2007 to September 30, 2008, due to a decline in market rates commencing in the third quarter of 2007 and leveling by the end of the second quarter. However, bond values have fluctuated during 2008 due to variances in the slope of the yield curve as a result of instability in new issue coupon rates and intermittent movement of funds between the bond market and the stock market. The changes in market value appreciation/(depreciation) in the investment portfolio do not directly affect operating results since the Company does not acquire investment securities for trading. However, the changes in the market value appreciation/(depreciation) in the investment portfolio for the three and nine-month periods ended September 30, 2008 and September 30, 2007 are a component of Comprehensive Income and are set forth in the Condensed Consolidated Statements of Comprehensive Income contained herein.

Noninterest Income - Noninterest income, net of any gains/losses on security transactions, increased by 16.8% to $2,047 for the three-month period ended September 30, 2008 from $1,753 for the three-month period ended September 30, 2007. Noninterest income, net of any gains/losses on security transactions, increased by 8.9% to $5,620 for the nine-month period ended September 30, 2008 from $5,160 for the nine-month period ended September 30, 2007. The increase in noninterest income for the three-month period ended September 30, 2008, was primarily due to higher other operating income, which was up 28.5%. The increase in noninterest income for the nine-month period ended September 30, 2008, was due to higher service charge income on deposit accounts, up 6.4% and higher other operating income, which was up 12.0%.

Noninterest Expenses - Noninterest expenses increased by 3.8% to $5,917 for the three-month period ended September 30, 2008 from $5,703 for the three-month period ended September 30, 2007. The major components of noninterest expenses are salaries and employee benefits, which decreased slightly .3% to $3,741 from $3,751; occupancy expense which increased 3.4% to $820 from $793; and other operating expenses which increased by 17.0% to $1,356 from $1,159. Occupancy expense generally continues to grow due to the addition of new banking facilities. The increase in other operating expense is primarily due to a reclassification of expenses, further discussed in the following paragraph.

NET INCOME (continued)

Noninterest expenses increased by 6.6% to $17,378 for the nine-month period ended September 30, 2008 from $16,309 for the nine-month period ended September 30, 2007. The major components of noninterest expenses are salaries and employee benefits which increased 7.1% to $11,152 from $10,412. A portion of the increase in salaries expense is attributable to the implementation of amended FAS 91 accounting procedures in the first quarter of 2007, which effectively lowered salaries expense for that period. Occupancy expense decreased 2.2% to $2,354 for the nine-month period ended September 30, 2008 from $2,406 for the same period in 2007. Other operating expenses increased 10.9% to $3,872 from $3,491 for the same periods, respectively. The decline in occupancy expense is attributable to a reclassification of a portion of utilities expense, telecommunications, to other operating expense, which increased during the period for the same reason.

Income Taxes – Provisions for income taxes increased 4.8% to $1,245 for the three-month period ended September 30, 2008 from $1,188 for the three-month period ended September 30, 2007. Income before income taxes less interest on tax-exempt investment securities decreased 4.2% to $3,362 for the three-month period ended September 30, 2008 from $3,510 for the same period in 2007.

Provisions for income taxes decreased 7.6% to $3,580 for the nine-month period ended September 30, 2008 from $3,874 for the nine-month period ended September 30, 2007. Income before income taxes less interest on tax-exempt investment securities decreased by 8.4% to $9,827 for the nine-month period ended September 30, 2008 from $10,730 for the same period in 2007.

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 liquidation 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 and has the ability to borrow funds from the Federal Reserve System and the Federal Home Loan Bank of Atlanta. Management feels that short-term and long-term liquidity sources are more than adequate to meet funding needs, including the funding of off-balance sheet loan commitments and standby letters of credit, if the need arises. Although the Bank has not experienced heavy liquidity pressures, there can be no assurance that such pressures could not be felt in the future. Neither the Company nor the Bank is involved in other off-balance sheet contractual relationships or transactions that could result in liquidity needs or other commitments or significantly impact earnings.

CAPITAL RESOURCES

Total stockholders' equity was $85,970 and $82,112 at September 30, 2008 and December 31, 2007, representing 10.07% and 9.49% of total assets, respectively. At September 30, 2008, the Company and the Bank exceeded quantitative measures established by regulation to ensure capital adequacy (see NOTE 12 to the consolidated unaudited 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.

CRITICAL ACCOUNTING POLICIES

We have adopted various accounting policies which govern the application of accounting principles generally accepted in the United States of America in the preparation of our financial statements. Our significant accounting policies are described in the notes to the consolidated financial statements at December 31, 2007 as filed in our Annual Report on Form 10-K. Certain accounting policies involve significant judgments and assumptions by us which have a material impact on the carrying value of certain assets and liabilities. We consider these accounting policies to be critical accounting policies. The judgments and assumptions we use are based on historical experience and other factors, which we believe to be reasonable under the circumstances. Because of the nature of the judgments and assumptions we make, actual results could differ from these judgments and estimates that could have a major impact on our carrying values of assets and liabilities and our results of operations.

We believe the allowance for loan losses is a critical accounting policy that requires the most significant judgments and estimates used in preparation of our consolidated financial statements. Refer to the portions of our 2007 Annual Report on Form 10-K and this Form 10-Q that address our allowance for loan losses for description of our processes and methodology for determining our allowance for loan losses.

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 re-price 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, as it relates to lending and real estate held for operating locations, results from potential changes in the value of collateral underlying loans receivable and the market value 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 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk, in regard to interest rate risk, is the risk of loss from adverse changes in market prices and rates. The Company's market risk arises principally from the 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 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - 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.

Item 4. CONTROLS AND PROCEDURES

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

There has been no change in the Company's internal control over financial reporting during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II

Item 1A. Risk Factors

The following are additional risk factors for the Company, to be read in conjunction with Item 1A, "Risk Factors – Risks Related to Our Industry" in the Company's Form 10-K for the year ended December 31, 2007.

1. **There can be no assurance that recent government actions will help stabilize the U.S. financial system.**

   In response to the financial crises affecting the banking system and financial markets and going concern threats to investment banks and other financial institutions, various branches and agencies of the U.S. government have put in place laws, regulations, and programs to address capital and liquidity issues in the banking system. There can be no assurance, however, as to the actual impact that such laws, regulations, and programs will have on the financial markets, including the extreme levels of volatility, liquidity and confidence issues, and limited credit availability currently being experienced. The failure of such laws, regulations, and programs to help stabilize the financial markets and a continuation or worsening of current financial market conditions could materially and adversely affect our business, financial condition, results of operations, access to credit or the trading price of our common stock.

2. **Current levels of market volatility are unprecedented.**

   Although many markets have been experiencing volatility and disruption for months, in the past few weeks, the volatility and disruption of financial and credit markets has reached unprecedented levels for recent times. In some cases, the markets have produced downward pressure on stock prices and credit availability for certain issuers without regard to those issuers' underlying financial strength. If current levels of market disruption and volatility continue or worsen, there can be no assurance that we will not experience an adverse effect, which may be material, on our ability to access capital and on our business, financial condition, and results of operations.

3. **The soundness of other financial institutions could adversely affect us.**

   Financial services institutions are interrelated as a result of trading, clearing, counterparty, or other relationships. We have exposure to many different industries and counterparties, and we routinely execute transactions with counterparties in the financial services industry, including brokers, dealers, commercial banks, investment banks, and government sponsored enterprises. Many of these transactions expose us to credit risk in the event of default of our counterparty. In addition, our credit risk may be exacerbated when the collateral held by us cannot be realized or is liquidated at prices not sufficient to recover the full amount of the loan or other obligation due us. There is no assurance that any such losses would not materially and adversely affect our results of operations or earnings.

4. **Current market developments may adversely affect our industry, business, and results of operations.**

   Dramatic declines in the housing market during the prior year, with falling home prices and increasing foreclosures and unemployment, have resulted in significant write-downs of asset values by financial institutions, including government-sponsored entities and major commercial and investment banks. These write-downs, initially of mortgage-backed securities but spreading to credit default swaps and other derivative securities, have caused many financial institutions to seek additional capital, to merge with larger and stronger institutions and, in some cases, to fail. Reflecting concern about the stability of the financial markets generally and the strength of counterparties, many lenders and institutional investors have reduced, and in some cases, ceased to provide funding to borrowers, including other financial institutions. The resulting lack of available credit, lack of confidence in the financial sector, increased volatility in the financial markets, and reduced business activity could materially and adversely, directly or indirectly, affect our business, financial condition and results of operations.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

ISSUER SALES OF EQUITY SECURITIES

On September 30, 2008 the Company issued 318 shares of its common stock to the Company sponsored profit sharing and savings plan, The Conway National Bank Profit Sharing and Savings Plan, for an aggregate purchase price of $50,721. Issuance of the securities was exempt from registration pursuant to Section 4(2) of the Securities Act of 1933 because the transaction did not involve a public offering. There were no underwriting commissions or discounts.

ISSUER PURCHASES OF EQUITY SECURITIES

Period	(a) Total Number of Shares Purchased (1)	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Program	(d) Maximum Number of Shares that May Yet Be Purchased Under the Program
July 1 – July 31, 2008	608	$161.02	-	-
August 1 – August 31, 2008	96	159.50	-	-
September 1 – September 30, 2008	810	159.50	-	-
Total	1,514	$160.11	-	-

(1) During the period covered by this report, the Company purchased 1,514 shares of stock from shareholders, at the request of the shareholders, which are held by the Company as Treasury Stock. These shares were purchased on a case-by-case basis and not pursuant to any formal program.

Item 6. EXHIBITS

All exhibits, the filing of which are required with this Form, are listed below

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.

SIGNATURE

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

CNB Corporation
(Registrant)

/s/L. Ford Sanders, II
L. Ford Sanders, II
Executive Vice President,
Treasurer and Chief Financial Officer

Date: November 7, 2008

EXHIBIT INDEX

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.

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