FORM 10-Q/A

Quarterly report pursuant to sections 13 or 15(d) [amend]

Filing Date: **1999-09-10** | Period of Report: **1999-06-30**
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CNB CORP /SC/

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SIC: **6021** National commercial banks

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FORM 10-Q/A AMENDMENT NO. I

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Quarterly Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934

(Mark One)

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

For the quarterly period ended June 30, 1999

OR

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

For the transition period from   to

____

For Quarter Ended June 30, 1999   Commission file number: 2-96350

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.)
P.O. Box 320, Conway, South Carolina	29526
(Address of principal executive offices)	(Zip Code)

(Registrant's telephone number, including area code): (803) 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 .

The number of shares outstanding of the issuer's $10.00 par value common stock as of June 30, 1999 was 597,386.

CNB Corporation

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements:

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

<TABLE>
<CAPTION>

	June 30, 1999	December 31, 1998	June 30, 1998
ASSETS:			
<S>	<C>	<C>	<C>
Cash and due from banks	$ 16,962	$ 17,864	$ 16,057
Interest bearing deposits with banks	0	0	0
Investment Securities (Fair values of $59,323 at June 30, 1999, $61,928 at December 31, 1998, and $63,056 at June 30, 1998)	59,216	60,648	62,304
Securities Available for Sale	92,261	80,582	65,240

(Amortized cost of $93,303 at June 30, 1999, $79,874 at December 31, 1998, and $64,895 at June 30, 1998)			
Federal Funds sold and securities purchased under agreement to resell	32,950	27,100	30,825
Loans:			
Gross Loans	252,321	230,099	233,613
Less unearned income	(586)	(970)	(1,112)
Loans, net of unearned income	251,735	229,129	232,501
Less reserve for possible loan losses	(3,377)	(3,132)	(3,094)
Net loans	248,358	225,997	229,407
Bank premises and equipment	8,203	7,258	6,816
Other assets	7,900	6,910	7,043
Total assets	465,850	426,359	417,692
LIABILITIES AND STOCKHOLDERS' EQUITY:			
Deposits:			
Non-interest bearing	76,852	66,303	68,590
Interest-bearing	310,060	279,809	269,150
Total deposits	386,912	346,112	337,740
Federal funds purchased and securities sold under agreement to repurchase	29,647	32,518	31,898
Other short-term borrowings	3,496	1,148	4,503
Other liabilities	2,601	5,380	3,081
Total liabilities	422,656	385,158	377,222
Stockholders' equity:			
Common stock, par value $10 per share: Authorized 1,500,000 in 1999 and 1998; issued 598,687 in 1999 and 1998	5,987	5,987	5,987
Surplus	24,546	24,538	24,552
Undivided Profits	13,414	10,448	9,812
Net Unrealized Holding Gains (Losses) on Available-For-Sale Securities	(625)	425	206
Less: Treasury stock	(128)	(197)	(87)
Total stockholders' equity	43,194	41,201	40,470
Total liabilities and stockholders' equity	465,850	426,359	417,692

</TABLE>

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

<TABLE>
<CAPTION>

	Three Months Ended June 30,		Six Months Ended June 30,	
	1999	1998	1999	1998
Interest Income:				
<S>	<C>	<C>	<C>	<C>
Interest and fees on loans	$ 5,362	$ 5,250	$ 10,459	$ 10,343
Interest on investment securities:				
Taxable investment securities	1,918	1,762	3,847	3,449
Tax-exempt investment securities	174	170	354	349
Other securities	3	3	3	3
Interest on federal funds sold and securities purchased under agreement to resell	343	369	625	597
Total interest income	7,800	7,554	15,288	14,741
Interest Expense:				
Interest on deposits	2,852	2,876	5,661	5,618
Interest on federal funds purchased and securities sold under agreement to repurchase	335	389	672	787
Interest on other short-term borrowings	16	17	30	43

Total interest expense	3,203	3,282	6,363	6,448
Net interest income	4,597	4,272	8,925	8,293
Provision for possible loan losses	180	175	330	365
Net interest income after provision for possible loan losses	4,417	4,097	8,595	7,928
Other income:				
Service charges on deposit accounts	627	556	1,239	1,146
Gains/(Losses) on securities	0	0	0	0
Other operating income	389	407	683	633
Total other income	1,016	963	1,922	1,779
Other expenses:				
Salaries and employee benefits	1,866	1,703	3,709	3,364
Occupancy expense	446	394	835	817
Other operating expenses	812	661	1,542	1,331
Total operating expenses	3,124	2,758	6,086	5,512
Income before income taxes	2,309	2,302	4,431	4,195
Income tax provision	771	756	1,465	1,413
Net Income	1,538	1,546	2,966	2,782
Per share data:				
Net income per weighted average shares Outstanding	$ 2.58	$ 2.58	$ 4.97	$ 4.65
Cash dividend paid per share	$ 0	$ 0	$ 0	$ 0
Book value per actual number of shares Outstanding	$ 72.31	$ 67.71	$ 72.31	$ 67.71
Weighted average number of shares outstanding	597,275	597,933	597,275	597,933
Actual number of shares outstanding	597,386	597,727	597,386	597,727

</TABLE>

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

<TABLE>
<CAPTION>

	Three Months Ended June 30, 1999	Three Months Ended June 30, 1998	Six Months Ended June 30, 1999	Six Months Ended June 30, 1998
<S>	<C>	<C>	<C>	<C>
Net Income	$1,538	$1,546	$2,966	$2,782
Other comprehensive income, net of tax				
Unrealized gains/(losses) on securities:				
Unrealized holding gains/(losses) during period	(647)	(49)	(1,050)	9
Net Comprehensive Income	$ 891	$1,497	$1,916	$2,791

</TABLE>

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

<TABLE>
<CAPTION>

	Six Months Ended June 30, 1999	Six Months Ended June 30, 1998
<S>	<C>	<C>
Common Stock:		
($10 par value; 500,000 shares authorized)		
Balance, January 1	5,987	5,987
Issuance of Common Stock	None	None
Balance at end of period	5,987	5,987
Surplus:		
Balance, January 1	24,538	24,552
Issuance of Common Stock	None	None
Gain on sale of treasury stock	8	None
Balance at end of period	24,546	24,552
Undivided profits:		
Balance, January 1	10,448	7,030
Net Income	2,966	2,782
Cash dividends declared	None	None
Balance at end of period	13,414	9,812
Net unrealized holding gains/(losses) on		
Available-for-sale securities:		
Balance, January 1	425	197
Change in net unrealized gains/(Losses)	(1,050)	9
Balance at end of period	(625)	206
Treasury stock:		
Balance, January 1	(197)	(49)

Purchase of treasury stock	(70)	(160)
Reissue of treasury stock	139	122
Balance at end of period	(128)	(87)
Total stockholders' equity	43,194	40,470

</TABLE>

Note: Columns may not add due to rounding.

CNB CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

<TABLE>
<CAPTION>

For the six-month period ended June 30,	1999	1998
<S>	<C>	<C>
OPERATING ACTIVITIES		
Net income	$ 2,966	$ 2,782
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	263	329
Provision for loan losses	330	365
Provision for deferred income taxes	(1,088)	(136)
Loss (gain) on sale of investment securities	0	0
(Increase) decrease in accrued interest receivable	(537)	(670)
(Increase) decrease in other assets	18	(38)
(Decrease) increase in other liabilities	(1,130)	98
Net cash provided by operating activities	822	2,730
INVESTING ACTIVITIES		
Proceeds from sale of investment securities available for sale	0	0
Proceeds from maturities of investment securities held to maturity	4,742	11,715
Proceeds from maturities of investment securities available for sale	8,321	4,944
Purchase of investment securities held to maturity	(3,310)	(3,780)
Purchase of investment securities available for sale	(20,000)	(17,000)
Decrease (increase) in interest-bearing deposits in banks	0	0
(Increase) decrease in federal funds sold	(5,850)	(19,450)
(Increase) decrease in loans	(22,606)	(10,780)
Premises and equipment expenditures	(1,208)	(347)
Net cash provided by (used for) investing activities	(39,911)	(34,698)
FINANCING ACTIVITIES		
Dividends paid	(2,090)	(1,794)
Increase (Decrease) in deposits	40,800	36,413
(Decrease) increase in securities sold under repurchase agreement	(2,871)	(468)
(Decrease) increase in other short-term borrowings	2,348	(497)
Net cash provided by (used for) financing activities	38,187	33,654

Net increase (decrease) in cash and due from banks	(902)	1,686
CASH AND DUE FROM BANKS, BEGINNING OF YEAR	17,864	14,371
CASH AND DUE FROM BANKS, JUNE 30, 1999 AND 1998	$16,962	$16,057
CASH PAID (RECEIVED) FOR:		
Interest	$ 6,506	$ 6,285
Income taxes	$ 1,431	$ 1,344

</TABLE>

CNB CORPORATION AND SUBSIDIARY (The "Corporation")

CNB CORPORATION (The "Parent")

THE CONWAY NATIONAL BANK (The "Bank")

NOTES TO 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, 597,275 for the six-month period ended June 30, 1999 and 597,933 for the six-month period ended June 30, 1998.

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 amount of these reserve balances for the six-month period ended June 30, 1999 and for the years ended December 31, 1998 and 1997 were approximately $7,768, $6,839, and $5,909, respectively.

NOTE 3 - INVESTMENT SECURITIES

Investment securities with a par value of approximately $74,400 at June 30, 1999 and $74,500 at December 31, 1998 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 at June 30, 1999 and at December 31, 1998.
<TABLE>
<CAPTION>

	June 30, 1999				
	Book Value	Unrealized Holding Gains	Unrealized Holding Losses	Fair Value	Yield(1)
<S>	<C>	<C>	<C>	<C>	<C>
AVAILABLE FOR SALE					
United States Treasury					
Within one year	$ 4,002	$ 13	$ -	$ 4,015	6.43%
One to five years	13,107	38	45	13,100	6.09
	17,109	51	45	17,115	6.17
Federal agencies					
Within one year	7,174	16	3	7,187	6.16
One to five years	67.301	57	1,119	66,239	5.75
	74,475	73	1,122	73,426	5.79
State, county and municipal					
One to five years	325	1	-	326	7.90
	325	1	-	326	7.90
Other Securities(Equity)	1,394	-	-	1,394	-
Total available for sale	$93,303	$ 125	$1,167	$92,261	5.87%
HELD TO MATURITY					
United States Treasury					
Within one year	7,003	37	-	7,040	6.67%
One to five years	1,014	-	7	1,007	5.76
	8,017	37	7	8,047	6.55
Federal agencies					
Within one year	4,613	16	1	4,628	6.16%
One to five years	31,709	119	154	31,674	6.37
	36,322	135	155	36,302	6.34
State, county and municipal					
Within one year	1,285	21	-	1,306	8.42%
One to five years	8,015	93	11	8,097	6.70
Six to ten years	5,247	59	50	5,256	6.64
After ten years	330	-	1	315	6.03
	14,877	173	76	14,974	6.82
Total held to maturity	$59,216	$ 345	$ 238	$59,323	6.49%

</TABLE>
(1) Tax equivalent adjustment based on a 34% tax rate.

As of the quarter ended June 30, 1999, the Bank did not hold any securities of an issuer that exceeded 10% of stockholders' equity. The net unrealized holding gains/(losses) on available-for-sale securities component of capital is $(625) as of June 30, 1999.

NOTE 3 - INVESTMENT SECURITIES (Continued)

<TABLE>
<CAPTION>

<S>	Book Value <C>	December 31, 1998 Unrealized Holding Gains <C>	Losses <C>	Fair Value <C>	Yield(1) <C>
AVAILABLE FOR SALE					
United States Treasury					
Within one year	$ 8,011	$ 59	$ -	$ 8,070	6.28%
One to five years	5,962	179	-	6,141	6.09%
	13,973	238	-	14,211	6.20%
Federal agencies					
Within one year	5,171	30	-	5,201	6.20%
One to five years	60,289	520	87	60,722	5.77%
	65,460	550	87	65,923	5.81%
State, county and municipal					
One to five years	325	7	-	332	7.90%
Other - restricted Federal Reserve Bank Stock	116	-	-	116	6.03%
Total available for sale	$79,874	$ 795	$ 87	$80,582	5.88%
HELD TO MATURITY					
United States Treasury					
Within one year	6,995	81	-	7,076	6.56%
One to five years	4,019	76	-	4,095	6.05%
	11,014	157	-	11,171	6.38%
Federal agencies					
Within one year	2,036	6	-	2,042	5.50%
One to five years	33,350	615	-	33,965	6.14%
	35,386	621	-	36,007	6.10%
State, county and Municipal					
Within one year	1,236	11	-	1,247	9.57%
One to five years	8,430	260	-	8,690	7.69%
Six to ten years	4,582	231	-	4,813	7.56%
	14,248	502	-	14,750	7.81%
Total held to maturity	$60,648	$1,280	$ -	$61,928	%6.56%

</TABLE>

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

As of the quarter ended December 31, 1998, the Bank did not hold any securities of an issuer that exceeded 10% of stockholders' equity. The net unrealized holding gains/(losses) on available-for-sale securities component of capital is $425 as of December 31, 1998.

NOTE 4 - LOANS AND ALLOWANCE FOR LOAN LOSSES

The following is a summary of loans at June 30, 1999 and December 31, 1998 by major classification:

<TABLE>
<CAPTION>

<S>	June 30, 1998 <C>	December 31, 1999 <C>
Real estate loans - mortgage	$ 154,385	$ 142,039

- construction	16,533	15,560
Commercial and industrial loans	44,116	36,393
Loans to individuals for household, family and other consumer expenditures	32,732	32,669
Agriculture	2,937	1,487
All other loans, including overdrafts	1,618	1,951
Gross loans	252,321	230,099
Less unearned income	(586)	(970)
Less reserve for loan losses	(3,377)	(3,132)
Net loans	248,358	225,997

</TABLE>

NOTE 4 - LOANS AND ALLOWANCE FOR LOAN LOSSES, continued

Changes in the reserve for loan losses for the quarter ended and six-month period ended June 30, 1999 and 1998 and the year ended December 31, 1998 are summarized as follows:

<TABLE>
<CAPTION>

	Quarter Ended June 30, 1999	Quarter Ended June 30, 1998	Six Months Ended June 30, 1999	Six Months Ended June 30, 1998	December 31, 1998
<S>	<C>	<C>	<C>	<C>	<C>
Balance, beginning of period	$ 3,199	$ 3,014	$ 3,132	$ 2,879	$ 2,879
Charge-offs:					
Commercial, financial, and agricultural	61	25	84	71	189
Real Estate - construction and mortgage	0	9	0	10	14
Loans to individuals	77	109	220	225	553
Total charge-offs	$ 138	$ 143	$ 304	$ 306	$ 756
Recoveries:					
Commercial, financial, and					

Agricultural	$ 48	$ 4	$ 82	$ 34	$ 89
Real Estate - construction and mortgage	11	3	11	4	5
Loans to individuals	77	41	126	118	235
Total recoveries	$ 136	$ 48	$ 219	$ 156	$ 329
Net charge-offs/(recoveries)	$ 2	$ 95	$ 85	$ 150	$ 427
Additions charge to operations	$ 180	$ 175	$ 330	$ 365	$ 680
Balance, end of period	$ 3,377	$ 3,094	$ 3,377	$ 3,094	$ 3,132
Ratio of net charge-offs during the period to average loans outstanding during the period	.00%	.05%	.04%	.07%	.19%

</TABLE>

The entire balance is available to absorb future loan losses.

At June 30, 1999 and December 31, 1998 loans on which no interest was being accrued totalled approximately $421 and $422, respectively and foreclosed real estate totalled $0 and $0, respectively; and loans 90 days past due and still accruing totalled $65 and $100, respectively.

OTHER INTEREST-BEARING ASSETS

The Bank maintained an investment in an executive life insurance program through Confederation Life Insurance and Annuity Company, Inc. During 1994 the Michigan Insurance Commission seized control of this United States Corporation due to a similar action by the Canadian regulatory authorities over the company's parent corporation, Confederation Life Insurance Company. Regulatory oversight began as concerns regarding investment losses of the parent corporation developed during 1993 and 1994. Management determined that any impairment of the approximate $2,100,000 cash surrender value of the policies was remote due to the financial stability of the U.S. subsidiary. Subsequently, on October 23, 1996, a plan of Rehabilitation for Confederation Life Insurance Company (U.S.) was confirmed by the State of Michigan in the Circuit Court for the County of Ingham. The plan provided for the assumption of company owned life insurance policies (COLI), such as the Bank's, to be assumed by Pacific Mutual Life Insurance Company. Under the agreement, holders of COLI policies had the option to have a policy reinsured by Pacific Mutual which was expected to have the same account value and substantially the same contract terms as the original policy or to receive the liquidation or "opt-out" value of the policy.

The Bank's independent external auditors revisited the facts and circumstances regarding the investment in the COLI program and read the related guidance in SFAS No. 5 and SAB Topic 5(Y). There continues to be no significant uncertainties requiring the recognition of a loss contingency.

The Bank's COLI policies were reinsured by Pacific Mutual during the third quarter of 1997. Management received permission from the Office of the Comptroller of the Currency to return this asset to accrual status and to adjust the carrying value during the first quarter of 1998 with the total cash surrender values totalling approximately $85,000 above the carrying value on the bank's books.

As of June 30, 1999, the Company does not have any other interest-bearing assets that would be required to be disclosed under Item III.C.1. or 2. if such assets were loans.

NOTE 5 - PREMISES AND EQUIPMENT

Property at June 30, 1999 and December 31, 1998 is summarized as follows:

	June 30, 1999	December 31, 1998
Land and buildings	$ 10,402	$ 9,581
Furniture, fixtures and equipment	5,590	5,188
Construction in progress	4	19
	$ 15,996	$ 14,788
Less accumulated depreciation and amortization	7,793	7,530
	$ 8,203	$ 7,258

Depreciation and amortization of bank premises and equipment charged to operating expense was $132 and $263 for the quarter ended and the six month period ended June 30, 1999, respectively and $693 for the year ended December 31, 1998.

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

At June 30, 1999 and December 31, 1998, certificates of deposit of $100,000 or more included in time deposits totaled approximately $78,597 and $61,328 respectively. Interest expense on these deposits was approximately $842 and $1,683 for the quarter ended and the six-month period ended June 30, 1999 and $3,455 for the year ended December 31, 1998. On June 30, 1999, the Bank purchased $12 million in large public fund certificates with maturities in early 2000 to provide for potential Y2K liquidity needs at year-end 1999.

NOTE 7 - SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

At June 30, 1999 and December 31, 1998, securities sold under repurchase agreements totaled approximately $29,647 and $32,518. U.S. Government securities with a book value of $34,072 ($33,977 market value) and $35,127 ($35,672 market value), respectively, are used as collateral for the agreements. The weighted-average interest rate of these agreements was 4.15 percent and 4.12 percent at June 30, 1999 and December 31, 1998.

NOTE 8 - LINES OF CREDIT

At June 30, 1999, the Bank had unused short-term lines of credit to purchase Federal Funds from unrelated banks totaling $23,000. 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 U.S. Treasury and Agency Notes with a market value of $7,849 at June 30, 1999. The amount outstanding under the note totaled $3,496 and $1,148 at June 30, 1999 and December 31, 1998, respectively.

The Bank also has a line of credit from the Federal Home Loan Bank of Atlanta for $67 million secured by a lien on the Bank's 1-4 family mortgages. Allowable terms range from overnight to 20 years at varying rates set daily by the FHLB. At June 30, 1999, no borrowings were outstanding under the agreement.

NOTE 9 - INCOME TAXES

Income tax expense for the quarter ended June 30, 1999 and June 30, 1998 on pretax income of $2,309 and $2,302 totalled $771 and $756 respectively. Income tax expense for the six-month period ended June 30, 1999 and June 30, 1998 on pretax income of $4,431 and $4,195 totalled $1,465 and $1,413 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 factor. A summary of income tax components and a reconciliation of income taxes to the federal statutory rate are included in fiscal year-end reports.

NOTE 9 - INCOME TAXES (Continued)

Effective January 1, 1992, the Company adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes". SFAS 109 replaces SFAS 96 beginning in 1993, with early implementation permitted. The impact of the adoption of SFAS 109 is not considered to be material.

NOTE 10 - COMMITMENTS AND CONTINGENT LIABILITIES

From time to time the bank subsidiary is a party to various litigation, both as plaintiff and as defendant, arising from its normal operations. No material losses are anticipated in connection with any of these matters at June 30, 1999.

Also, in the normal course of business, the bank subsidiary has outstanding commitments to extend credit and other contingent liabilities, which are not reflected in the accompanying financial statements. At June 30, 1999, commitments to extend credit totalled $24,012; financial standby letters of credit totalled $177; and performance standby letters of credit totalled $395. In the opinion of management, no material losses or liabilities are expected as a result of these transactions.

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 six month period ended June 30, 1999 and years ended December 31, 1998, 1997 and 1996, $100, $201, $378, $361, and $336, respectively, was charged to operations under the plan.

NOTE 12 - REGULATORY MATTERS

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory -and possibly additional discretionary - actions by regulators that, if undertaken, could have a direct material effect on the financial statements. The regulations require the Bank 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 table below) of Tier I capital to adjusted total assets (Leverage Capital ratio) and minimum ratios of Tier I and total capital to risk-weighted assets. To be considered adequately capitalized under the regulatory framework for prompt corrective action, the Bank must maintain minimum Tier I leverage, Tier I risk-based and total risked-based ratios as set forth in the table. The Bank's actual capital ratios are presented in the table below as of June 30, 1999:

	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)	$44,484	16.53%	$21,523	8.0%	$26,903	10.0%
Tier I Capital (to risk weighted assets)	41,121	15.28	10,761	4.0	16,142	6.0
Tier I Capital (to avg. assets)	41,121	9.34	17,605	4.0	22,006	5.0

NOTE 13 - CONDENSED FINANCIAL INFORMATION

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

CONDENSED BALANCE SHEET
JUNE 30, 1999
(Unaudited)

ASSETS	
Cash	$ 1,875
Investment in subsidiary	40,496
Fixed assets	786
Other assets	37
	$ 43,194
LIABILITIES AND STOCKHOLDERS' EQUITY	
Other liability	$ 0
Stockholders' equity	43,194
	$ 43,194

CONDENSED STATEMENT OF INCOME
For the six-month period ended June 30, 1999
(Unaudited)

EQUITY IN NET INCOME OF SUBSIDIARY	$ 3,003
OTHER INCOME	0
OTHER EXPENSES	(37)
Net Income	$ 2,966

DISCUSSION OF FORWARD-LOOKING STATEMENTS

Information in the enclosed report, other than historical information, may contain forward-looking statements that involve risks and uncertainties, including, but not limited to, timing of certain business initiatives of the Company, the Company's interest rate risk condition, and future regulatory actions of the Comptroller of the Currency and Federal Reserve System. It is important to note that the Company's actual results may differ materially and adversely from those discussed in forward-looking statements.

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

Management's Discussion and Analysis is provided to afford a clearer understanding of the major elements of the corporation's results of operations, financial condition, liquidity, and capital resources. The following discussion should be read in conjunction with the corporation'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. In the opinion of management, the information contained herein reflects all adjustments necessary to make the results of operations for the interim periods a fair statement of such operations. All such adjustments are of a normal and recurring nature.

DISTRIBUTION OF ASSETS AND LIABILITIES

The Company maintains a conservative approach in determining the distribution of assets and liabilities. Loans, net of unearned income, have increased 8.3% from $232,501 at June 30, 1998 to $251,735 at June 30, 1999 but have decreased as a percentage of total assets from 55.7% to 54.0% over the same period as loan demand has moderated in our market. Securities and federal funds sold have increased as a percentage of total assets from 37.9% at June 30, 1998 to 39.6% at June 30, 1999 as we have utilized funds in the investment area. This level of investments and federal funds sold provides for a more than adequate supply of secondary 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 increased as a percentage of total assets from 16.4% at June 30, 1998 to 16.5% at June 30, 1999. However, as more customers, both business and personal, are attracted to interest-bearing deposit accounts, we expect the percentage of demand deposits to decline over the long-term. Interest-bearing deposits have increased from 64.5% of total assets at June 30, 1998 to 66.5% at June 30, 1999 while securities sold under agreement to repurchase have decreased from 7.6% to 6.4% over the same period.

The following table sets forth the percentage relationship to total assets of significant components of the corporation's balance sheet as of June 30, 1999 and 1998:
<TABLE>
<CAPTION>

	June 30,	
<S>	<C>	<C>
Assets:	1999	1998
Earning assets:		
Loans, net of unearned income	54.0%	55.7%
Investment securities	12.7	14.9
Securities Available for Sale	19.8	15.6
Federal funds sold and securities purchased under agreement to resell	7.1	7.4
Other earning assets	-	-
Total earning assets	93.6	93.6
Other assets	6.4	6.4
Total assets	100.0%	100.0%

Liabilities and stockholders' equity:		
Interest-bearing liabilities:		
Interest-bearing deposits	66.5%	64.5%
Federal funds purchased and securities sold under agreement to repurchase	6.4	7.6
Other short-term borrowings	.8	1.1
Total interest-bearing liabilities	73.7	73.2
Noninterest-bearing deposits	16.5	16.4
Other liabilities	.5	.7
Stockholders' equity	9.3	9.7
Total liabilities and stockholders' equity	100.0%	100.0%

</TABLE>

RESULTS OF OPERATION

CNB Corporation experienced earnings for the three-month period ended June 30, 1999 and 1998 of $1,538 and $1,546, respectively, resulting in a return on average assets of 1.37% and 1.50% and a return on average stockholders' equity of 14.35% and 15.57%.

CNB Corporation experienced earnings for the six-month period ended June 30, 1999 and 1998 of $2,966 and $2,782, respectively, resulting in a return on average assets of 1.35% and 1.38% and a return on average stockholders' equity of 14.01% and 14.25%.

The earnings were primarily attributable to net interest margins in each period (see Net Income-Net Interest Income). Other factors include management's ongoing effort to maintain other income at adequate levels (see Net Income - Other Income) and to control other expenses (see Net Income - Other Expenses). This level of earnings, coupled with a conservative dividend policy, have supplied the necessary capital funds to support the growth in total assets. Total assets have increased $48,158 or 11.5% from $417,692 at June 30, 1998 to $465,850 at June 30, 1999. The following table sets forth the financial highlights for the three-month and six-month periods ending June 30, 1999 and June 30, 1998:

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

<TABLE>
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	Three-Month Period Ended June 30,			Six-Month Period Ended June 30,		
	1999	1998	Percent Increase (Decrease)	1999	1998	Percent Increase (Decrease)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net interest income after provision for loan losses	4,417	4,097	7.8%	8,595	7,928	8.4%
Income before income taxes	2,309	2,302	.3	4,431	4,195	5.6
Net Income	1,538	1,546	(.5)	2,966	2,782	6.6
Per Share	2.58	2.58	-	4.97	4.65	6.9
Cash dividends declared	0	0	-	0	0	-
Per Share	0	0	-	0	0	-
Total assets	465,850	417,692	11.5%	465,850	417,692	11.5%
Total deposits	386,912	337,740	14.6	386,912	337,740	14.6
Loans, net of unearned income	251,735	232,501	8.3	251,735	232,501	8.3
Investment securities and securities available for sale	151,477	127,544	18.8	151,477	127,544	18.8
Stockholders' equity	43,194	40,470	6.7	43,194	40,470	6.7
Book value per share	72.31	67.71	6.8	72.31	67.71	6.8
Ratios (1):						
Annualized return on average total assets	1.37%	1.50%	(8.7)%	1.35%	1.38%	(2.2)%
Annualized return on average stockholders' equity	14.35%	15.57%	(7.8)%	14.01%	14.25%	(1.7)%

</TABLE>

(1) For the three-month period ended June 30, 1999 and June 30, 1998, average total assets amounted to $448,423 and $412,179 with average stockholders' equity totaling $42,880 and $39,714, respectively. For the six-month period ended June 30, 1999 and June 30, 1998, average total assets amounted to $440,680 and $403,115 with average stockholders' equity totaling $42,317 and $39,049, respectively.

NET INCOME

Net Interest Income - Earnings are dependent to a large degree on net interest income, defined as the difference between gross interest and fees earned on earning assets, primarily loans and securities, and interest paid on deposits and borrowed funds. Net interest income is effected 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 1999 and 1998. However, fluctuations in market interest rates do not necessarily have a significant impact on net interest income, depending on the bank's rate sensitivity position. A rate sensitive asset (RSA) is any loan or investment that can be repriced either up or down in interest rate within a certain time interval. A rate sensitive liability (RSL) is an interest paying deposit or other liability that can be repriced either up or down in interest rate within a certain time interval. When a proper balance between RSA and RSL exists, market interest rate fluctuations should not have a significant impact on earnings. The larger the imbalance, the greater the interest rate risk assumed by the bank and the greater the positive or negative impact of interest rate fluctuations on earnings. The bank seeks to manage its assets and liabilities in a manner that will limit interest rate risk and thus stabilize longrun-earning power. Management believes that a rise or fall in interest rates will not materially effect earnings.

The Bank has maintained adequate net interest margins for the three-month and six-month periods ended June 30, 1999 and 1998 by earning satisfactory yields on loans and securities and funding these assets with a favorable deposit mix containing a significant level of noninterest-bearing demand deposits.

Fully-tax-equivalent net interest income showed a 7.5% increase from $4,360 for the three-month period ended June 30, 1998 to $4,686 for the three-month period ended June 30, 1999. During the same period, total fully-tax-equivalent interest income increased by 3.2% from $7,642 to $7,889 and total interest expense decreased by 2.4% from $3,282 to $3,203. Fully-tax-equivalent net interest income as a percentage of total earning assets has shown a decrease of .06% from 4.52% for the three-month period ended June 30, 1998 to 4.46% for the three-month period ended June 30, 1999.

Fully-tax-equivalent net interest income showed a 7.5% increase from $8,473 for the six-month period ended June 30, 1998 to $9,107 for the six-month period ended June 30, 1999. During the same period, total fully-tax-equivalent interest income increased by 3.7% from $14,921 to $15,470 and total interest expense decreased by 1.3% from $6,448 to $6,363. Fully-tax-equivalent net interest income as a percentage of total earning assets has shown a decrease of .07% from 4.49% for the six-month period ended June 30, 1998 to 4.42% for the six-month period ended June 30, 1999.

The tables on the following four pages present selected financial data and an analysis of net interest income.

CNB Corporation and Subsidiary
Selected Financial Data

<TABLE>

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	Three Months Ended 6/30/99 Avg. Balance	Interest Income/ Expense(1)	Avg. Ann. Yield or Rate	Three Months Ended 6/30/98 Avg. Balance	Interest Income/ Expense(1)	Avg.Ann Yield or Rate
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Assets:						
Earning assets:						
Loans, net of unearned income	$245,927	$ 5,362	8.72%	$230,100	$ 5,250	9.13%
Securities:						
Taxable	131,552	1,921	5.84	115,790	1,765	6.10
Tax-exempt	14,568	263	7.22	13,381	258	7.71
Federal funds sold and securities purchased under agreement to resell	28,216	343	4.86	26,840	369	5.50
Other earning assets	0	0	-	0	0	-
Total earning assets	420,263	7,889	7.51	386,111	7,642	7.92
Other assets	28,160			26,068		
Total assets	$448,423			$412,179		
Liabilities and stockholders' equity:						
Interest-bearing liabilities:						
Interest-bearing deposits	$296,121	2,852	3.85	$266,926	$ 2,876	4.31
Federal funds purchased and securities sold under agreement to repurchase	32,479	335	4.13	34,561	389	4.50
Other short-term borrowings	1,558	16	4.11	1,661	17	4.09
Total interest-bearing Liabilities	$330,158	$ 3,203	3.88	$303,148	$ 3,282	4.33
Noninterest-bearing deposits	74,829			65,777		
Other liabilities	556			3,540		
Stockholders' equity	42,880			39,714		
Total liabilities and stockholders' equity	$448,423			$412,179		
Net interest income as a percent of total earning assets	$420,263	$ 4,686	4.46	$386,111	$ 4,360	4.52
(1) Tax-equivalent adjustment based on a 34% tax rate		$ 89			$ 88	

</TABLE>
<TABLE>

<S>	<C>	<C>
Ratios:		
Annualized return on average total assets	1.37	1.50
Annualized return on average stockholders' equity	14.35	15.57
Cash dividends declared as a percent of net income	0	0
Average stockholders' equity as a percent of:		
Average total assets	9.56	9.64
Average total deposits	11.56	11.94
Average loans, net of unearned income	17.44	17.26
Average earning assets as a percent of average total assets	93.72	93.68

</TABLE>

CNB Corporation and Subsidiary
Selected Financial Data

<TABLE>
<CAPTION>

	Six Months Ended 6/30/99 Avg. Balance	Interest Income/ Expense(1)	Avg. Ann. Yield or Rate	Six Months Ended 6/30/98 Avg. Balance	Interest Income/ Expense(1)	Avg.Ann. Yield or Rate
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Assets:						
Earning assets:						
Loans, net of unearned income	$239,738	$10,459	8.73%	$227,016	$10,343	9.11%
Securities:						

Taxable	131,621	3,850	5.85	113,842	3,452	6.06
Tax-exempt	14,657	536	7.31	13,612	529	7.77
Federal funds sold and securities purchased under agreement to resell	26,145	625	4.78	23,157	597	5.16
Other earning assets	0	0	-	0	0	-
Total earning assets	412,161	15,470	7.51	377,627	14,921	7.90
Other assets	28,519			25,488		
Total assets	$440,680			$403,115		
Liabilities and stockholders equity						
Interest-bearing liabilities:						
Interest-bearing deposits	$291,218	5,661	3.89	$262,355	$ 5,618	4.28
Federal funds purchased and securities sold under agreement to repurchase	32,803	672	4.10	34,912	787	4.51
Other short-term borrowings	1,311	30	4.58	1,566	43	5.49
Total interest-bearing liabilities	$325,332	$ 6,363	3.91	$298,833	$ 6,448	4.32
Noninterest-bearing deposits	70,650			61,792		
Other liabilities	2,381			3,441		
Stockholders' equity	42,317			39,049		
Total liabilities and stockholders' equity	$440,680			$403,115		
Net interest income as a percent of total earning assets	$412,161	$ 9,107	4.42	$377,627	$ 8,473	4.49
(1) Tax-equivalent adjustment based on a 34% tax rate	$ 182			$ 180		

</TABLE>
<TABLE>

<S>	<C>	<C>
Ratios:		
Annualized return on average total assets	1.35	1.38
Annualized return on average stockholders' equity	14.01	14.25
Cash dividends declared as a percent of net income	0	0
Average stockholders' equity as a percent of:		
Average total assets	9.60	9.69
Average total deposits	11.69	12.05
Average loans, net of unearned income	17.65	17.20
Average earning assets as a percent of average total assets	93.53	93.68

</TABLE>

<TABLE>
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CNB Corporation and Subsidiary
Rate/Volume Variance Analysis
For the Three Months Ended June 30, 1999 and 1998
(Dollars in Thousands)

<S>	Average Volume 1999	Average Volume 1998	Yield/Rate 1999 (1)	Yield/Rate 1998 (1)	Interest Earned/Paid 1999 (1)	Interest Earned/Paid 1998 (1)	Variance	Change Due to Rate	Change Due To Volume	Change Due To Rate X Volume
Earning Assets:										
Loans, Net of unearned income (2)	245,927	230,100	8.72%	9.13%	5,362	5,250	112	(235)	361	(14)
Investment securities:										
Taxable	131,552	115,790	5.84%	6.10%	1,921	1,765	156	(75)	240	(9)
Tax-exempt	14,568	13,381	7.22%	7.71%	263	258	5	(16)	23	(2)
Federal funds sold and securities purchased under agreement to resell	28,216	26,840	4.86%	5.50%	343	369	(26)	(43)	19	(2)
Other earning assets	0	0	-	-	0	0	-	-	-	-
Total Earning Assets	420,263	386,111	7.51%	7.92%	7,889	7,642	247	(369)	643	(27)
Interest-bearing Liabilities:										

Interest-bearing deposits	296,121	266,926	3.85%	4.31%	2,852	2,876	(24)	(307)	314	(31)
Federal funds purchased and securities sold under agreement to repurchase	32,479	34,561	4.13%	4.50%	335	389	(54)	(32)	(23)	1
Other short-term borrowings	1,558	1,661	4.11%	4.09%	16	17	(1)	-	(1)	-
Total Interest-bearing Liabilities	330,158	303,148	3.88%	4.33%	3,203	3,282	(79)	(339)	290	(30)
Interest-free Funds Supporting Earning Assets	90,105	82,963								
Total Funds Supporting Earning Assets	420,263	386,111	3.05%	3.40%	3,203	3,282	(79)	(339)	290	(30)
Interest Rate Spread			3.63%	3.59%						
Impact of Non-interest-bearing Funds on Net Yield on Earning Assets			.83%	.93%						
Net Yield on Earning Assets			4.46%	4.52%	4,686	4,360				

</TABLE>

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

<TABLE>
<CAPTION>

CNB Corporation and Subsidiary
Rate/Volume Variance Analysis
For the Six Months Ended June 30, 1999 and 1998
(Dollars in Thousands)

<S>	<C> Average Volume 1999	<C> Average Volume 1998	<C> Yield/Rate 1999 (1)	<C> Yield/Rate 1998 (1)	<C> Interest Earned/Paid 1999 (1)	<C> Interest Earned/Paid 1998 (1)	<C> Variance	<C> Change Due to Rate	<C> Change Due To Volume	<C> Change Due To Rate X Volume
Earning Assets:										
Loans, Net of unearned income (2)	239,738	227,016	8.73%	9.11%	10,459	10,343	116	(431)	579	(32)
Investment securities:										
Taxable	131,621	113,842	5.85%	6.06%	3,850	3,452	398	(119)	538	(21)
Tax-exempt	14,657	13,612	7.31%	7.77%	536	529	7	(31)	40	(2)
Federal funds sold and securities purchased under agreement to resell	26,145	23,157	4.78%	5.16%	625	597	28	(44)	77	(5)
Other earning assets	0	0	-	-	0	0	-	-	-	-
Total Earning Assets	412,161	377,627	7.51%	7.90%	15,470	14,921	549	(625)	1,234	(60)
Interest-bearing Liabilities:										
Interest-bearing deposits	291,218	262,355	3.89%	4.28%	5,661	5,618	43	(511)	617	(63)
Federal funds purchased and securities sold under agreement to repurchase	32,803	34,912	4.10%	4.51%	672	787	(115)	(71)	(47)	3
Other short-term borrowings	1,311	1,566	4.58%	5.49%	30	43	(13)	(7)	(7)	1
Total Interest-bearing Liabilities	325,332	298,833	3.91%	4.32%	6,363	6,448	(85)	(589)	563	(59)
Interest-free Funds Supporting Earning Assets	86,829	78,794								
Total Funds Supporting Earning Assets	412,161	377,627	3.09%	3.41%	6,363	6,448	(85)	(589)	563	(59)
Interest Rate Spread			3.60%	3.58%						
Impact of Non-interest-bearing Funds on Net Yield on Earning Assets			.82%	.91%						
Net Yield on Earning Assets			4.42%	4.49%	9,107	8,473				

</TABLE>

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

NET INCOME (continued)

Provision for Possible Loan Losses - It is the policy of the bank to maintain the reserve for possible loan losses at the greater of 1.20% of net loans or the percentage based on the actual loan loss experience over the previous five years. In addition, management may increase the reserve to a level above these guidelines to cover potential losses identified in the portfolio.

The provision for possible loan losses was $180 for the three-month period ended June 30, 1999 and $175 for the three-month period ended June 30, 1998. Net loan charge-offs/(recoveries) totaled $2 for the three-month period ended June 30, 1999 and $95 for the same period in 1998.

The provision for possible loan losses was $330 for the six-month period ended June 30, 1999 and $365 for the six-month period ended June 30, 1998. Net loan charge-offs/(recoveries) totaled $85 for the six-month period ended June 30, 1999 and $150 for the same period in 1998.

The reserve for possible loan losses as a percentage of net loans was 1.36% at June 30, 1999 and 1.35% at June 30, 1998. The decreased provision during the six-month period ended June 30, 1999 was due to moderate net charge-offs during 1999.

Securities Transactions - The Bank had no security sales during the first half of 1999 or 1998. At June 30, 1999, December 31, 1998, and June 30, 1998 market value appreciation/(depreciation) in the securities portfolio totaled $(935), $1,988, and $1,097. As indicated, market value has decreased in 1999 due to rising market interest rates.

Other Income - Other income, net of any gains/losses on security transactions, increased by 5.5% from $963 for the three-month period ended June 30, 1998 to $1,016 for the three-month period ended June 30, 1999.

Other income, net of any gains/losses on security transactions, increased by 8.0% from $1,779 for the six-month period ended June 30, 1998 to $1,922 for the six-month period ended June 30, 1999.

This increase in the three-month and six-month period ended June 30, 1999 was due to an increase in deposit account volumes and higher merchant discount income.

Other Expenses - Other expenses increased by 13.3% from $2,758 for the three-month period ended June 30, 1998 to $3,124 for the three-month period ended June 30, 1999. The major components of other expenses are salaries and employee benefits which increased 9.6% from $1,703 to $1,866; occupancy expense which increased 13.2% from $394 to $446; and other operating expenses which increased by 22.8% from $661 to $812.

Other expenses increased by 10.4% from $5,512 for the six-month period ended June 30, 1998 to $6,086 for the six-month period ended June 30, 1999. The major components of other expenses are salaries and employee benefits which increased 10.3% from $3,364 to $3,709; occupancy expense which increased 2.2% from $817 to $835; and other operating expense which increased by 15.9% from $1,331 to $1,542.

The increase in the three-month and six-month period ended June 30, 1999 salaries and employee benefits and occupancy expense was due to the opening of the new "West Conway Office" in the late fall of 1998. Full-time-equivalent employees have increased from 196 at June 30, 1998 to 208 at June 30, 1999. Other operating expenses have shown an increase due to higher credit card department related costs to support the strong growth in merchant discount income.

Income Taxes - Provisions for income taxes increased 2.0% from $756 for the three-month period ended June 30, 1998 to $771 for the three-month period ended June 30, 1999. Income before income taxes less interest on tax-exempt investment securities increased by .1% from $2,132 for the three-month period ended June 30, 1998 to $2,135 for the same period in 1999. State tax liability increased as income before income taxes increased .3% from $2,302 to $2,309 during the same period.

Provisions for income taxes increased 3.7% from $1,413 for the six-month period ended June 30, 1998 to $1,465 for the six-month period ended June 30, 1999. Income before income taxes less interest on tax-exempt investment securities increased by 6.0% from $3,846 for the six-month period ended June

30, 1998 to $4,077 for the same period in 1999 and state tax liability increased as income before income taxes increased 5.6% from $4,195 to $4,431 during the same period.

LIQUIDITY

The bank's liquidity position is primarily dependent on short-term demands for funds caused by customer credit needs and deposit withdrawals and upon the liquidity of bank assets to meet these needs. The bank's liquidity sources include cash and due from banks, federal funds sold and short-term investments. In addition, the bank has established federal funds lines of credit from correspondent banks 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.

CAPITAL RESOURCES

Total stockholders' equity was $43,194, $41,201, $37,717 and $34,496 at June 30, 1999, December 31, 1998, December 31, 1997, and December 31, 1996, representing 9.27%, 9.66%, 9.90%, and 10.09% of total assets, respectively. At June 30, 1999, the Bank exceeds quantitative measures established by regulation to ensure capital adequacy (see NOTE 12 - REGULATORY MATTERS). Capital is considered sufficient by management to meet current and prospective capital requirements and to support anticipated growth in bank operations.

The Company paid an approximate 25% stock dividend on September 12, 1997. The Board increased the $3.00 per share annual cash dividend paid at year-end 1997 to $3.50 per share at year-end 1998 which increased the cash dividend payout ratio and cash dividend yield.

EFFECTS OF REGULATORY ACTION

The management of the Company and the Bank is not aware of any current recommendations by the regulatory authorities which, if they were to be implemented, would have a material effect on liquidity, capital resources, or operations.

ACCOUNTING ISSUES

In an effort to simplify the current standards in the United States for computing earnings per share ("EPS") and make them more compatible with international standards, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings per Share" in February 1997. SFAS 128 applies to entities with publicly traded common stock or potential common stock and is effective for financial statements for periods ending after December 15, 1997, including interim periods. SFAS 128 simplifies the standards for computing EPS previously found in APB Opinion 15, "Earnings per Share." It replaces the presentation of primary EPS with a presentation of basic EPS. It also requires dual presentation of basic and diluted EPS on the face of the income statement for all companies with complex capital structures and requires a reconciliation of the numerator and denominator of the basic EPS computation to the numerator and denominator of the diluted EPS computation. The Company does not have any dilutive common stock or equivalents and accordingly the adoption of SFAS had no effect on earnings per share computations.

The FASB also issued SFAS No. 129, "Disclosure of Information about Capital Structure" in February 1997. The purpose of SFAS 129 is to consolidate existing disclosure requirements for ease of retrieval. SFAS 129 contains no change in disclosure requirements for companies that were subject to the previously existing requirements. It applies to all entities and is effective for Financial Statements for periods ending after December 15, 1997.

In June 1997, the FASB issued SFAS No. 130, "Reporting Comprehensive Income. SFAS 130 establishes standards for reporting and display of comprehensive income and its components (revenues, expenses, gains, and losses) in a full set of general purpose financial statements. SFAS 130 requires that all items that are required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. SFAS 130 requires that companies (i) classify items of other comprehensive income by their nature in a financial statement and (ii) display the accumulated balance of other comprehensive income separately from retained earnings and additional paid-in capital in the equity section of the statement of financial condition. SFAS 130 is effective for fiscal years beginning after December 15, 1997. Reclassification of financial statements for earlier periods provided for comprehensive purposes is required. The adoption of

SFAS 130 had no affect on the Company's net income or stockholders' equity.

In June 1997, the FASB also issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." SFAS 131 establishes standards for the way public enterprises are to report information about operating segments in annual financial statements and requires those enterprises to report selected information about operating segments in interim financial

reports issued to shareholders. It also establishes standards for related disclosures about products and services, geographic areas, and major customers. SFAS 131 supersedes SFAS No. 14, "Financial Reporting for Segments of a Business Enterprise." SFAS 131 becomes effective for financial statements for periods beginning after December 15, 1997, and requires that comparative information from earlier years be restated to conform to its requirements. The adoption of the provisions of SFAS 131 is not expected to have a material impact on the Company.

In June 1998, the FASB issued SFAS 133, "Accounting for Derivative Instrument and Hedging Activities". All derivatives are to be measured at fair value and recognized in the balance sheet as assets or liabilities. The statement is effective for fiscal years and quarters beginning after June 15, 1999. Because the Company does not use derivative transactions at this time, management does not expect that this standard will have a significant effect on the Company.

YEAR 2000

The Year 2000 poses a significant challenge for financial institutions because of the way date fields have been historically handled. Older versions of software used a two digit year date field and assumed the first two digits of the year date to be "19". All software applications using this dating method must be replaced or modified to avoid computer systems reverting to the year date of 1900 in the year 2000.

The Board of Directors early in 1997 assigned Year 2000 Project implementation responsibility to the Electronic Data Processing (EDP) Steering Committee. The EDP Steering Committee is comprised of the following members: President, Executive Vice President, Vice President and Cashier, Vice President-Systems, Vice President-Data Processing, and Assistant Vice President-Systems. The committee meets at least quarterly with the meetings being reviewed by the Board Audit Committee and progress reports made to the full Board. The CPA firm of Tourville, Simpson, & Henderson has been engaged to assist in Year 2000 Plan development, implementation, and examination.

All systems used by the bank have been identified and prioritized with a time line established for projected dates of upgrades, replacement, certification, and testing. Anticipated Year 2000 costs are projected to be approximately $276,000. The majority of this amount has been spent on capital expenditures to be expensed over the next four years. Twenty thousand dollars will be spent in 1999 on public information and education.

All mission critical systems have been replaced or upgraded to Year 2000 compliance. All mission critical systems have been tested to ensure Year 2000 functionality. Further testing will be conducted during 1999 as deemed appropriate. The bank has in place a Business Interruption Plan in case of unforeseen problems or failures.

In June of 1999, The Conway National Bank and The Conway Chamber of Commerce sponsored a Year 2000 Community Forum. Participants included local utilities, city and county governments, social security, health services, the post office and educational institutions. The public received progress reports on participants' Year 2000 projects.

The bank has completed its Year 2000 Contingency Plan for cash services. This plan will anticipate and provide for the increased demand for extra cash by customers as we approach year-end.

SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

An Annual Meeting of shareholders of CNB Corporation was held in the main office building of The Conway National Bank at 1400 Third Avenue, Conway, South Carolina, at 4:15 p.m., Conway, South Carolina time, on May 11, 1999.

The purpose of the Annual Meeting was to: (1) elect five Directors; and (2) ratify the appointment of Elliott, Davis, and Company, Certified Public Accountants, as the Company's independent public accountant for the fiscal year ending December 31, 1999.

Proxies for the meeting were solicited pursuant to Regulation 14 under the Act; there was no solicitation in opposition to the management's nominees as listed in the proxy statement; and all of such nominees were elected.

There were 425,493 of the 597,375 shares issued present or represented by proxy and all shares were voted for the election of the five Directors listed as management's nominees in the proxy statement; and for the ratification of Elliott, Davis, and Company as the Company's 1999 independent public accountant.

EXHIBITS AND REPORTS ON FORM 8-K

See Exhibit Index appearing below.

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

EXHIBIT INDEX

Exhibit Number	
27	Financial Data Schedule - Article 9 Financial Data Schedule for 10-Q for electronic filers (pages 27 and 28).

All other exhibits, the filing of which are required with this Form, are not applicable.

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)

Paul R. Dusenbury
____

Paul R. Dusenbury
Treasurer
(Chief Financial and Accounting Officer)

Date: August 11, 1999

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