FORM 10KSB

Annual and transition reports of small business issuers [Section 13 or 15(d), not S-B Item 405]

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FILER

CLOVER COMMUNITY BANKSHARES INC
CIK:**1057017**| IRS No.: **582381062** | State of Incorp.:**SC** | Fiscal Year End: **1231**
Type: **10KSB** | Act: **34** | File No.: **000-24749** | Film No.: **99573779**
SIC: **6022** State commercial banks

Mailing Address
124 N MAIN STREET
P O BOX 69
CLOVER SC 29710

Business Address
124 N MAIN ST P O BOX 69
CLOVER SC 29710

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-KSB

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

For the Fiscal Year Ended December 31, 1998   Commission File Number 24749

CLOVER COMMUNITY BANKSHARES, INC.
(Exact Name of Small Business Issuer in its Charter)

South Carolina	58-2381062
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification Number)

124 North Main Street, Clover, South Carolina 29710
(Address of Principal Executive Office, Zip Code)

Issuer's Telephone Number, Including Area Code: (803) 222-7660

Securities Registered Pursuant to Section 12(b) of the Act:

None
(Title of Class)

Securities Registered Pursuant to Section 12(g) of the Act:

Common Stock ($.01 par value)
(Title of Class)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or 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 [_]

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. [ ]

State issuer's revenues for the most recent fiscal year. $4,713,323

The aggregate market value of the voting and non-voting common equity held by non-affiliates on March 1, 1999, was approximately $6,704,416. As of March 1, 1999, there were 1,011,120 shares of the Registrant's Common Stock, no par value, outstanding. For purposes of the foregoing calculation only, all directors and executive officers of the Registrant have been deemed affiliates.

DOCUMENTS INCORPORATED BY REFERENCE

(1) Portions of the Annual Report to the Shareholders for the year ended December 31, 1998 - Parts I and II

(2) Portions of the Registrant's Proxy Statement for the 1999 Annual Meeting of Shareholders - Part III

Transitional Small Business Disclosure Format.
Yes __   No X

10-KSB CROSS REFERENCE INDEX

PART I

This Annual Report on Form 10-KSB contains forward-looking statements as defined by the Private Securities Litigation Reform Act of 1995. Forward-looking statements should be read with the cautionary statements and important factors included in this Form 10-KSB. (See Item 6. - Management's Discussion and Analysis of Financial Condition and Results of Operations, Safe Harbor for Forward-Looking Statements.) Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements which are other than statements of historical facts. Such forward- looking statements may be identified, without limitation, by the use of the words "anticipates," "estimates," "expects," "intends," "plans," "predicts," "projects," and similar expressions. The Company's expectations, beliefs and projections are expressed in good faith and are believed by the Company to have a reasonable basis, including without limitation, management's examination of historical operating trends, data contained in the Company's records and other data available from third parties, but there can be no assurance that management's expectations, beliefs or projections will result or be achieved or accomplished.

Item 1. Description of Business

FORM OF ORGANIZATION

Clover Community Bankshares, Inc. (the "Company") is a South Carolina corporation and a bank holding company incorporated March 4, 1998. The Company commenced operations on June 5, 1998, upon effectiveness of the acquisition of Clover Community Bank (the "Bank") as a wholly owned subsidiary. The principal business of the Company is ownership and operation of the Bank.

BUSINESS OF BANKING

General

The Bank was incorporated under the laws of the State of South Carolina as a state chartered bank on August 18, 1987 and commenced operations on October 1, 1987. The Bank operates under the jurisdiction of the South Carolina State Board of Financial Institutions (the "State Board"), and its deposits are insured by the Federal Deposit Insurance Corporation ("FDIC"). The Bank is not a member of the Federal Reserve System. The Bank engages in a general commercial banking business, emphasizing the banking needs of individuals and small to medium-sized business and professional concerns in its primary service area, and offers a full range of deposit services and short to medium term commercial and other loans, as well as various other services from a single office in Clover, South Carolina. The Bank does not exercise trust powers or other fiduciary services at this time.

The Bank offers the full range of deposit services that are typically available in most banks and savings and loan associations, including checking accounts, NOW accounts, savings accounts, and other time deposits of various types ranging from daily money market accounts to longer-term certificates of deposit. The transaction accounts and time certificates are tailored to the Bank's principal market area at rates competitive to those offered in the area. All deposit accounts are insured by the FDIC up to the maximum amount ($100,000 per depositor, subject to aggregation rules). The Bank solicits these accounts from individuals, businesses, associations and organizations, and governmental authorities.

The Bank offers a full range of short to medium-term commercial, personal, and mortgage loans. Commercial loans include both secured and unsecured loans for working capital (including inventory and receivables), business expansion (including acquisition of real estate and improvements), and purchase of equipment and machinery. Personal (or consumer) loans include secured and unsecured loans for financing automobiles, home improvements, education, and personal investments. The Bank also offers mortgage loans secured by personal residences.

The Bank offers travelers checks, safe deposit boxes, MasterCard and Visa accounts, ATM cards, and overdraft lines of credit to its customers. The Bank does not offer trust services. The Bank is a member of regional and national networks of automated teller machines that may be used by Bank customers in major cities throughout South Carolina and the United States, as well as in various cities worldwide.

Employees

At December 31, 1998, the Company employed 22 people.

Market Area

The Bank's primary service area includes the Clover community in York County, South Carolina. York County is located in the north central portion of South Carolina about 75 miles north of Columbia, South Carolina and just southwest of Charlotte, North Carolina. The county is bounded by North Carolina to the north, by Lancaster County to the east, by Cherokee County to the west, and by Chester County to the south. Clover is near the North Carolina line in the northwest corner of the county.

Competition

The Bank generally competes with other financial institutions through the selection of banking products and services offered, the pricing of services, the level of service provided, the convenience and availability of services, and the degree of expertise and the personal manner in which services are offered. South Carolina law permits statewide branching by banks and savings institutions, and many financial institutions in the state have branch networks. Consequently, commercial banking in South Carolina is highly competitive. Furthermore, as a consequence of legislation recently enacted by the United States Congress, out-of-state banks not previously allowed to operate in South Carolina may commence operations and compete in the Bank's primary service areas. Many large banking organizations currently operate in the respective market areas of the Bank, several of which are controlled by out-of-state ownership.

The Bank faces competition from both federally chartered and state-chartered banks and thrift institutions, as well as credit unions, consumer finance companies, insurance companies, and other institutions in the Bank's market area. Some of these competitors are not subject to the same degree of regulation and restriction imposed upon the Bank. Many of these competitors also have broader geographic markets and substantially greater resources and lending limits than the Bank and offer certain services such as trust banking that the Bank does not currently provide. In addition, many of these competitors have numerous branch offices located throughout the extended market area of the Bank which may provide these competitors with an advantage in geographic convenience that the Bank does not have at present. Such competitors may also be in a position to make more effective use of media advertising, support services, and electronic technology than can the Bank.

Currently there are two other commercial banks operating in the community of Clover, which is the Bank's existing primary service area. There are eight other commercial banks, five credit unions, and one savings institution operating in York County.

EFFECT OF GOVERNMENT REGULATION

Bank holding companies and banks are extensively regulated under federal and state law. To the extent that the following information describes statutory and regulatory provisions, it is qualified in its entirety by reference to such statutes and regulations. Any change in applicable law or regulation may have a material effect on the business of the Holding Company and the Bank.

General

As a bank holding company registered under the Bank Holding Company Act ("BHCA"), the Company is subject to supervision, and to regular inspection by the Federal Reserve. The Company is also subject to regulation by the State Board. The Bank is a state bank subject to regulation by the State Board and the FDIC. The following discussion summarizes certain aspects of those laws and regulations that affect the Company and the Bank. Proposals to change the laws and regulations governing the banking industry are frequently raised in Congress, the state legislature and before the various bank regulatory agencies. The likelihood and timing of any changes and the impact such changes might have on the Company and the Bank are difficult to determine.

Under the BHCA, the Company's activities and those of its subsidiaries are limited to banking, managing or controlling banks, furnishing services to or performing services for its subsidiaries or engaging in any other activity which the Federal Reserve determines to be so closely related to banking or managing or controlling banks as to be a proper incident thereto. The BHCA prohibits the Company from acquiring direct or indirect control of more than 5% of the outstanding voting stock or substantially all of the assets of any bank or from merging or consolidating with another bank holding company without prior approval of the Federal Reserve. In making such determinations, the Federal Reserve is required to consider whether the performance of such activities by a bank holding company or its subsidiaries can reasonably be expected to produce benefits to the public such as greater convenience, increased competition or gains in efficiency that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest or unsound banking practices.

Additionally, the BHCA prohibits the Company from engaging in, or from acquiring ownership or control of more than 5% of the outstanding voting stock of any company engaged in, a non-banking business unless such business is determined by the Federal Reserve to be so closely related to banking as to be properly incident thereto.

In addition to registration with the Federal Reserve under the BHCA, all South Carolina bank holding companies must register with the State Board under the South Carolina Bank Holding Company Act (the "South Carolina Act"). A registered bank holding company must provide the State Board with information with respect to the financial condition, operations, management, and inter-company relationships of the holding company and its subsidiaries. The State Board may also require such other information as is necessary to keep itself informed about whether the provisions of South Carolina law and the regulations and orders issued thereunder by the State Board have been complied with, and the State Board may make examinations of any bank holding company and its subsidiaries.

Obligations of the Company to its Subsidiary Bank

A number of obligations and restrictions are imposed on bank holding companies and their depository institution subsidiaries by Federal law and regulatory policy that are designed to reduce potential loss exposure to the depositors of such depository institutions and to the FDIC insurance funds in the event the depository institution is in danger of becoming insolvent or is insolvent. For example, under the policy of the Federal Reserve with respect to bank holding company operations, a bank holding company is required to serve as a source of financial strength to its subsidiary depository institutions and to commit resources to support such institutions in circumstances where it might not do so absent such policy. In addition, the "cross-guarantee" provisions of the Federal Deposit Insurance Act, as amended ("FDIA"), require insured depository institutions under common control to reimburse the FDIC for any loss suffered or reasonably anticipated by either the Savings Association Insurance Fund ("SAIF") or the Bank Insurance Fund ("BIF") of the FDIC as a result of the default of a commonly controlled insured depository institution or for any assistance provided by the FDIC to a commonly controlled insured depository institution in danger of default. The FDIC may decline to enforce the cross-guarantee provisions if it determines that a waiver is in the best interest of the SAIF or the BIF or both. The FDIC's claim for damages is superior to claims of stockholders of the insured depository institution or its holding company but is subordinate to claims of depositors, secured creditors and holders of subordinated debt (other than affiliates) of the commonly controlled insured depository institutions.

The FDIA also provides that amounts received from the liquidation or other resolution of any insured depository institution by any receiver must be distributed (after payment of secured claims) to pay the deposit liabilities of the institution prior to payment of any other general or unsecured senior liability, subordinated liability, general creditor or stockholder. This provision would give depositors a preference over general and subordinated creditors and stockholders in the event a receiver is appointed to distribute the assets of the Bank.

Any capital loans by a bank holding company to any of its subsidiary banks are subordinate in right of payment to deposits and to certain other indebtedness of such subsidiary bank. In the event of a bank holding company's bankruptcy, any commitment by the bank holding company to a federal bank regulatory agency to maintain the capital of a subsidiary bank will be assumed by the bankruptcy trustee and entitled to a priority of payment.

Capital Adequacy Guidelines for Bank Holding Companies and State Banks

The various federal bank regulators, including the Federal Reserve and the FDIC, have adopted risk-based capital requirements for assessing bank holding company and bank capital adequacy. These standards define what qualifies as capital and establish minimum capital standards in relation to assets and off-balance sheet exposures, as adjusted for credit risks.

The Company's and the Bank's December 31, 1998 ratios are set forth in the Annual Report to Shareholders for the year ended December 31, 1998 under the caption "Management's Discussion and Analysis -- Capital Resources."

Failure to meet capital guidelines could subject the Bank to a variety of enforcement remedies, including termination of deposit insurance by the FDIC.

The risk-based capital standards of both the Federal Reserve Board and the FDIC explicitly identify concentrations of credit risk and the risk arising from non-traditional activities, as well as an institution's ability to manage these risks, as important factors to be taken into account by the agency in assessing an institution's overall capital adequacy. The capital guidelines also provide that an institution's exposure to a decline in the economic value of its capital due to changes in interest rates be considered by the agency as a factor in evaluating a bank's capital adequacy. The Federal Reserve Board also has recently issued additional capital guidelines for bank holding companies that engage in certain trading activities.

Payment of Dividends

The Company is a legal entity separate and distinct from its bank subsidiary. Most of the revenues of the Company are expected to result from dividends paid to the Company by the Bank. There are statutory and regulatory requirements applicable to the payment of dividends by subsidiary banks as well as by the Company to its stockholders.

Certain Transactions by the Company with its Affiliates

Federal law regulates transactions between the Company and its affiliates, including the amount of the Bank's loans to or investments in nonbank affiliates and the amount of advances to third parties collateralized by securities of an affiliate. Further, a bank holding company and its subsidiaries are prohibited from engaging in certain tie-in arrangements in connection with any extension of credit, lease or sale of property or furnishing of services.

FDIC Insurance Assessments

Because the Bank's deposits are insured by the BIF, the Bank is subject to insurance assessments imposed by the FDIC. The FDIC equalized the assessment rates for BIF-insured and SAIF-insured deposits effective January 1, 1997. Thus, for the semi-annual period beginning January 1, 1997, the assessments imposed on all FDIC deposits for deposit insurance have an effective rate ranging from 0 to 27 basis points per $100 of insured deposits, depending on the institution's capital position and other supervisory factors. However, because legislation enacted in 1996 requires that both SAIF-insured and BIF-insured deposits pay a pro rata portion of the interest due on the obligations issued by the Financing Corporation ("FICO"), the FDIC is currently assessing BIF-insured deposits an additional 1.26 basis points per $100 of deposits, and SAIF-insured deposits an additional 6.30 basis points per $100 of deposits, to cover those obligations. The FICO assessment is based on deposit balances and will be adjusted quarterly to reflect changes in the assessment bases of the respective funds based on quarterly Call Report and Thrift Financial Report submissions.

Regulation of the Bank

The Bank is also subject to examination by the South Carolina State Board. In addition, the Bank is subject to various other state and federal laws and regulations, including state usury laws, laws relating to fiduciaries, consumer credit and laws relating to branch banking. The Bank's loan operations are also subject to certain federal consumer credit laws and regulations promulgated thereunder, including, but not limited to: the federal Truth-In-Lending Act, governing disclosures of credit terms to consumer borrowers; the Home Mortgage Disclosure Act, requiring financial institutions to provide certain information concerning their mortgage lending; the Equal Credit Opportunity Act and the Fair Housing Act, prohibiting discrimination on the basis of certain prohibited factors in extending credit; the Fair Credit Reporting Act, governing the use and provision of information to credit reporting agencies; the Bank Secrecy Act, dealing with, among other things, the reporting of certain currency transactions; and the Fair Debt Collection Act, governing the manner in which consumer debts may be collected by collection agencies. The deposit operations of the Bank are also subject to the Truth in Savings Act, requiring certain disclosures about rates paid on savings accounts; the Expedited Funds Availability Act, which deals with disclosure of the availability of funds deposited in accounts and the collection and return of checks by banks; the Right to Financial Privacy Act, which imposes a duty to maintain certain confidentiality of consumer financial records and the Electronic Funds Transfer Act and regulations promulgated thereunder, which govern automatic deposits to and withdrawals from deposit accounts and customers' rights and liabilities arising from the use of automated teller machines and other electronic banking services.

The Bank is also subject to the requirements of the Community Reinvestment Act (the "CRA"). The CRA imposes on financial institutions an affirmative and ongoing obligation to meet the credit needs of their local communities, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of those institutions. Each financial institution's actual performance in meeting community credit needs is evaluated as part of the examination process, and also is considered in evaluating mergers, acquisitions and applications to open a branch or facility.

Other Safety and Soundness Regulations

Prompt Corrective Action. The federal banking agencies have broad powers under current federal law to take prompt corrective action to resolve problems of insured depository institutions. The extent of these powers depends upon whether the institutions in question are "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized" or "critically undercapitalized" (as defined in the regulations).

A bank that is "undercapitalized" becomes subject to provisions of the FDIA restricting payment of capital distributions and management fees; requiring FDIC to monitor the condition of the bank; requiring submission by the bank of a capital restoration plan; restricting the growth of the bank's assets and requiring prior approval of certain expansion proposals. A bank that is "significantly undercapitalized" is also subject to restrictions on compensation paid to senior management of the bank, and a bank that is "critically undercapitalized" is further subject to restrictions on the activities of the bank and restrictions on payments of subordinated debt of the bank. The purpose of these provisions is to require banks with less than adequate capital to act quickly to restore their capital and to have the FDIC move promptly to take over banks that are unwilling or unable to take such steps.

Brokered Deposits. Under current FDIC regulations, "well capitalized" banks may accept brokered deposits without restriction, "adequately capitalized" banks may accept brokered deposits with a waiver from the FDIC (subject to certain restrictions on payment of rates), while "undercapitalized" banks may not accept brokered deposits. The regulations provide that the definitions of "well capitalized", "adequately capitalized" and "undercapitalized" are the same as the definitions adopted by the agencies to implement the prompt corrective action (described in the previous paragraph).

Interstate Banking

In July 1994, South Carolina enacted legislation which effectively provides that, after September 30, 1996, out-of-state bank holding companies (including bank holding companies in the Southern Region, as defined under the statute) may acquire other banks or bank holding companies having offices in South Carolina upon the approval of the South Carolina State Board of Financial Institutions and assuming compliance with certain other conditions, including that the effect of the transaction not lessen competition and that the laws of the state in which the out-of-state bank holding company filing the applications has its principal place of business permit South Carolina bank holding companies to acquire banks and bank holding companies in that state. Although such legislation has increased takeover activity in South Carolina, the Bank does not believe that such legislation will have a material impact on its competitive position. However, no assurance of such fact may be given.

The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 has increased the ability of bank holding companies and banks to operate across state lines. Under Riegle-Neal, the existing restrictions on interstate acquisitions of banks by bank holding companies have been repealed, such that the Company and any other adequately capitalized bank holding company located in South Carolina can acquire a bank located in any other state, and a bank holding company located outside South Carolina could acquire any South Carolina-based bank, in either case subject to certain deposit percentage and other restrictions. The legislation also provides that, unless an individual state elects beforehand either (i) to accelerate the effective date or (ii) to prohibit out-of-state banks from operating interstate branches within its territory, on or after June 1, 1997, adequately capitalized and managed bank holding companies will be able to consolidate their multistate bank operations into a single bank subsidiary and to branch interstate through acquisitions. De novo branching by an out-of-state bank would be permitted only if it is expressly permitted by the laws of the host state. The authority of a bank to establish and operate branches within a state will continue to be subject to applicable state branching laws. South Carolina law was amended, effective July 1, 1996, to permit such interstate branching but not de novo branching by an out-of-state bank. This legislation has resulted in additional acquisitions of

South Carolina financial institutions by out-of-state financial institutions. However, the Company does not presently anticipate that such legislation will have a material impact on its operations or future plans.

Legislative Proposals

Other proposed legislation which could significantly affect the business of banking has been introduced or may be introduced in Congress from time to time. Management of the Bank cannot predict the future course of such legislative proposals or their impact on the Company and the Bank should they be adopted.

Fiscal and Monetary Policy

Banking is a business which depends to a large extent on interest rate differentials. In general, the difference between the interest paid by a bank on its deposits and its other borrowings, and the interest received by a bank on its loans and securities holdings, constitutes the major portion of a bank's earnings. Thus, the earnings and growth of the Company and the Bank are subject to the influence of economic conditions generally, both domestic and foreign, and also to the monetary and fiscal policies of the United States and its agencies, particularly the Federal Reserve. The Federal Reserve regulates the supply of money through various means, including open-market dealings in United States government securities, the discount rate at which banks may borrow from the Federal Reserve, and the reserve requirements on deposits. The nature and timing of any changes in such policies and their impact on the Company and the Bank cannot be predicted.

Item 2. Description of Property

The Bank owns in fee simple with no major encumbrances, real property at the corner of North Main and Marion Street (124 North Main Street) in Clover, South Carolina, where its offices are located. The building located on the property contains approximately 7,000 square feet. Management of the Company believes the Bank's facilities are suitable and adequate for the Company's needs.

Item 3. Legal Proceedings

The Bank is from time to time a party to various legal proceedings arising in the ordinary course of business, but management of the Bank is not aware of any pending or threatened litigation or unasserted claims or assessments that are expected to result in losses, if any, that would be material to the Bank's business and operations.

Neither the Company nor the Bank were involved as defendants in any litigation at December 31, 1998, and Management is not aware of any pending or threatened litigation, or unasserted claims or assessments that are expected to result in losses, if any, that would be material to the consolidated financial statements.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted for a vote of the security holders during the fourth quarter of 1998.

PART II

Item 5. Market for Common Equity and Related Stockholder Matters

The information set forth under the caption "Market for Common Stock and Dividends" and in Note J to the Company's Consolidated Financial Statements under the caption "Restrictions on Subsidiary Dividends, Loans or Advances" in the Annual Report to Shareholders for the year ended December 31, 1998 (the "1998 Annual Report") is incorporated herein by reference. The information set forth in Part I, Item 1 of this Form 10-KSB under the caption "Effect of Government Regulation -- Payment of Dividends" is also incorporated herein by reference.

In connection with its acquisition of all of the Common Stock of the Bank, in 1998, the Company exchanged shares of its Common Stock for all of the outstanding stock of the Bank. Issuance of the Company's securities in this transaction was registered under the Securities Act of 1933 in a Registration Statement on Form S-4 (No. 333-47597).

Item 6. Management's Discussion and Analysis or Plan of Operation

The information set forth under the caption "Management's Discussion and Analysis" in the 1998 Annual Report is incorporated herein by reference.

Item 7. Financial Statements

The Consolidated Financial Statements, including Notes thereto, set forth in the 1998 Annual Report are incorporated herein by reference.

Item 8. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure

There were no disagreements with or changes in accountants.

PART III

Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act

(a)(1) Directors of the Company

The information set forth under the captions "ELECTION OF DIRECTORS" and "SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE" in the Proxy Statement to be used in conjunction with the 1999 Annual Meeting of Shareholders (the "Proxy Statement"), which will be filed within 120 days of the Corporation's fiscal year end, is incorporated herein by reference.

(2) Executive Officers of the Company

Name (and Officer Since)	Age	Position
James C. Harris, Jr. (1987)	48	President and Chief Executive Officer
Gwen M. Thompson (1987)	44	Senior Vice President, Cashier, and Secretary
Frank M. Gadsden (1989)	39	Vice President
Earnest A. Robertson (1992)	54	Vice President

Mr. Harris is the nephew by marriage of two directors of the Bank, Ruby M. Bennett and H. Marvin McCarter.

Item 10. Executive Compensation

The information set forth under the caption "MANAGEMENT COMPENSATION" in the Proxy Statement is incorporated herein by reference.

Item 11. Security Ownership of Certain Beneficial Owners and Management

The information set forth under the caption "SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS" in the Proxy Statement is incorporated herein by reference.

Item 12. Certain Relationships and Related Transactions

The information set forth under the caption "EXTENSIONS OF CREDIT AND OTHER TRANSACTIONS" in the Proxy Statement is incorporated herein by reference.

Item 13. Exhibits and Reports on Form 8-K

(a) Exhibit No. (from Item 601 of Regulation S-B)	Description
3.1	Articles of Incorporation (Incorporated by reference to Exhibits to Registrant's Registration Statement on Form S-4 (Registration No. 333-47597) (the "Form S-4"))
3.2	By-laws (Incorporated by reference Exhibits to to the Form S-4)
4	Specimen Stock certificate (Incorporated by reference to Exhibits to the Form S-4)
10.1	Clover Community Bankshares Dividend Reinvestment Plan (Incorporated by Reference to Registration Statement on Form S-3 (Registration No. 333-71777))
13	Portions of the Annual Report to Shareholders for the Year Ended December 31, 1998
21	Subsidiaries of the registrant
23	Consent of Donald G. Jones and Company, P.A.
27	Financial data schedule

(b) Report on Form 8-K filed February 4, 1999.

SIGNATURES

In accordance with Section 13 or 15(d) 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.

CLOVER COMMUNITY BANKSHARES, INC.

s/James C. Harris, Jr.

Date: March 23, 1999 By:--

James C. Harris, Jr.
Its President

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<TABLE>
<CAPTION>

Signature	Capacity	Date
<S>	<C>	<C>
----------------------------- (Ruby M. Bennett)	Director	March __,1999
s/Charles R. Burrell ----------------------------- (Charles R. Burrell)	Director	March 23, 1999

s/James C. Harris, Jr. ----------------------------- (James C. Harris, Jr.)	President, Chief Executive Officer. and Director	March 23, 1999
----------------------------- (Herbert Kirsh)	Chairman and Director	March __, 1999
----------------------------- (H. Marvin McCarter)	Director	March __, 1999
s/James H. Owen, Jr. ----------------------------- (James H. Owen, Jr.)	Director	March 23, 1999
s/Gwen M. Thompson ----------------------------- (Gwen M. Thompson)	Senior Vice President, Chief Financial and Accounting Officer, Cashier, Secretary and Director	March 23, 1999
s/William C. Turner ----------------------------- (William C. Turner)	Director	March 23, 1999

</TABLE>

EXHIBIT INDEX

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PORTIONS OF THE ANNUAL REPORT TO SHAREHOLDERS
FOR THE YEAR ENDED DECEMBER 31, 1998

<TABLE>
<CAPTION>
Financial Summary*

	Years Ended December 31,				
	1998	1997	1996	1995	1994
	(Dollars in thousands, except per share data)				
Financial Condition					
<S>	<C>	<C>	<C>	<C>	<C>
Securities	$16,300	$16,136	$16,016	$17,009	$15,019
Allowance for loan losses	265	272	270	245	248
Net loans	28,850	31,614	31,282	27,975	26,007
Premises and equipment - net	716	760	842	924	622
Total assets	56,921	52,909	52,611	49,611	46,852
Noninterest bearing deposits	3,962	3,890	3,341	3,494	2,499
Interest bearing deposits	41,645	38,078	38,879	35,846	35,605
Total deposits	45,607	41,968	42,220	39,340	38,104
Long-term debt	4,000	4,000	4,000	4,000	4,000
Total liabilities	49,999	46,368	46,574	44,117	42,359
Total shareholders' equity	6,922	6,541	6,037	5,494	4,493
Results of Operations					
Interest income	$ 4,302	$ 4,222	$ 3,986	$ 3,891	$ 3,231
Interest expense	1,815	1,847	1,822	1,807	1,381
Net interest income	2,487	2,375	2,164	2,084	1,850
Provision for loan losses	-	5	32	45	-
Net interest income after provision	2,487	2,370	2,132	2,039	1,850
Other income	411	341	297	267	253
Other expenses	1,508	1,375	1,250	1,231	1,183
Income before income taxes	1,390	1,336	1,179	1,075	920
Income tax expense	459	433	375	357	334
Net income	$ 931	$ 903	$ 804	$ 718	$ 586
Comprehensive income	$ 887	$ 1,009	$ 745	$ 1,153	$ 243
Per Share Data**					
Net income	$ 0.92	$ 0.89	$ 0.80	$ 0.71	$ 0.58
Cash dividends declared	0.50	0.50	0.20	0.15	0.125
Period end book value	6.85	6.47	5.97	5.43	4.44

</TABLE>

* Clover Community Bankshares, Inc. became the bank holding company of Clover Community Bank effective June 5, 1998 as part of a corporate reorganization which was accounted for as if it were a pooling-of-interests. The consolidated financial statements and related information for the year ended December 31, 1998 are presented as if the reorganization had occurred on January 1, 1998. The financial statements and related information for the years ended December 31, 1994 through 1997 are the same as the amounts reported previously by Clover Community Bank. Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income", effective for 1998, requires the reporting and display of comprehensive income with reclassification of financial statements for prior periods. The Company's other comprehensive income consists of the change in unrealized holding gains and losses on available-for-sale securities, net of applicable income taxes, that was previously reported only as an adjustment to shareholders' equity.

** Per share figures have been retroactively adjusted to reflect a 2-for-1 stock split effective May 11, 1995.

Market for Common Stock and Dividends

Clover Community Bankshares, Inc. (the "Company") was incorporated on March 4, 1998 at the direction of Clover Community Bank's (the "Bank") management in order to effect a plan of corporate reorganization under which the Bank was to become the Company's wholly-owned subsidiary. The plan of reorganization was approved by the Bank's shareholders on April 20, 1998 and the reorganization plan was effected on June 5, 1998. The discussion and figures in this 1998 Annual Report present information regarding the Company since the date of reorganization and information and figures of the Bank prior to that date. Per share information prior to the reorganization is presented in terms of the current equivalent of the number of shares of the Company's common stock outstanding; however, the number of shares outstanding of the Company has remained the same as the number of shares outstanding of the Bank prior to the exchange of shares pursuant to the reorganization plan.

Although a limited number of shares of common stock of Clover Community Bankshares, Inc. (the "Company") are traded from time to time on an individual basis, no established trading market has developed and none is expected to develop in the near future. The common stock is not traded on the NASDAQ National Market System, nor are there any market makers known to management. During 1998, management was aware of a few transactions in which the Company's common stock traded in a price range from $32.50 to $45.00 per share. However, management has not ascertained that these transactions are the result of arm's length negotiations between the parties, and because of the limited number of shares involved, these prices may not be indicative of the market value of the common stock.

As of February 28, 1999, there were approximately 666 holders of record of the Company's common stock, excluding individual participants in security position listings.

Prior to the aforementioned reorganization, the Bank has paid an annual cash dividend since 1991. In 1998 and 1997, the Bank declared and paid cash dividends to shareholders of $.50 per share during each year. In February, 1999, the Company's Board of Directors declared a $.60 per share annual cash dividend payable March 8, 1999. For the first time, shareholders have the opportunity to purchase additional shares in the Company by reinvesting their cash dividends under the new dividend reinvestment plan that was placed in operation in 1999.

The Board of Directors considers such factors as adequacy of capital to support future growth, regulatory capital requirements, maximum legal lending limits based on capital levels and profitability in making its decisions regarding cash dividends. The Company's ability to declare and pay cash dividends is largely dependent upon the successful operation of the subsidiary Bank and its ability to pay cash dividends to the Company. South Carolina banking regulations restrict the amount of cash dividends that can be paid by the Bank to the Company. All of the Bank's cash dividends to the Company are subject to the prior approval of the South Carolina Commissioner of Banking.

Management's Discussion and Analysis

This discussion is intended to assist in understanding the consolidated financial condition and results of operations of Clover Community Bankshares, Inc. and its wholly-owned subsidiary, Clover Community Bank (the "Bank"), which are collectively referred to as the "Company". This information should be reviewed in conjunction with the consolidated financial statements and related notes contained elsewhere in this report.

Beginning in 1998, Statement of Financial Accounting Standards ("SFAS") No. 130, "Reporting Comprehensive Income", requires the reporting and display of comprehensive income and its components. This SFAS provides for reclassification of financial statements for earlier periods for comparative purposes. Comprehensive income includes net income and other comprehensive income or loss. Other comprehensive income or loss consists of changes in shareholders' equity, other than those resulting from net income or investments by or distributions to shareholders, that are due to transactions, events and circumstances from non-shareholder sources. The Company's other comprehensive income consists of the change in unrealized holding gains and losses on available-for-sale securities, net of applicable income taxes, that was previously reported only as an adjustment of shareholders' equity. Because of the material amounts of available-for-sale securities carried in the consolidated balance sheet, changes in estimated fair values of such securities could significantly affect the amount of other comprehensive income or loss used to compute comprehensive income.

Forward Looking Statements

Statements included in Management's Discussion and Analysis which are not historical in nature are intended to be, and are hereby identified as "forward looking statements" for purposes of the safe harbor provided by Section 21E of the Securities Exchange Act of 1934, as amended. The Company cautions readers that forward looking statements, including without limitation, those relating to the Company's response to the Year 2000 problem, future business prospects, revenues, working capital, liquidity, capital needs, interest costs, and income, are subject to certain risks and uncertainties that could cause actual results to differ materially from those indicated in the forward looking statements, due to several important factors herein identified, among others, and other risks and factors identified from time to time in the Company's reports filed with the Securities and Exchange Commission.

Earnings Performance

1998 Compared with 1997

For the year ended December 31, 1998, the Company recorded net income of $931,000, an increase of $28,000, or 3.1%, over net income of $903,000 for 1997. Net income per share for 1998 was $.92 compared with $.89 for 1997. Return on average assets for 1998 was 1.70% compared with 1.72% for 1997. Return on average shareholders' equity was 14.12% for 1998 compared with 14.84% for 1997. Comprehensive income was $887,000 for 1998 compared with $1,009,000 for 1997. Depreciation in the estimated fair value of the available-for-sale securities portfolio of $44,000, net of income tax benefit, was charged against other comprehensive income for 1998 causing comprehensive income to be lower than net income.

Net income continued to rise, primarily as a result of the $112,000 increase in net interest income combined with a $70,000 increase in noninterest service charges on deposit accounts and other income. Net interest income increased due to higher levels of interest earning assets and lower overall rates paid on interest bearing liabilities. Because of the continued excellent performance of the loan portfolio, no provision for loan losses was deemed necessary in 1998. A $5,000 provision was charged to expense in 1997. These factors which increased net income, were partially offset, however, by nonrecurring expenses of $34,000 associated with effecting the reorganization into the bank holding company structure. Incremental costs relating to the Company's Y2K Preparedness Program have been negligible as the result of implementing the program using existing personnel. Additionally, the Company acquired new computer equipment and software in 1996 which was mostly Year 2000 compliant when installed.

1997 Compared with 1996

Net income of $903,000 for the year ended December 31, 1997 represented a significant increase of $99,000 or 12.3% from the $804,000 realized in 1996. Net income per share was $.89 for 1997 compared with $.80 for 1996. In 1997, return on average assets was 1.72%, up from 1.61% for 1996. Return on average shareholders' equity increased to 14.84% from 14.14% for 1996. The 1997 cash dividend of $.50 per share represented an increase of 150% over the cash dividend of $.20 for 1996. Other comprehensive income of $106,000, consisting of appreciation in the available-for-sale securities portfolio, net of income taxes, was added to net income to boost comprehensive income to $1,009,000 for 1997. Comprehensive income was $745,000 for 1996, or $59,000 lower than net income for that year.

Higher net interest income in 1997 was the principal contributor to the growth in net income over the 1996 figure, increasing $211,000. This increase was due to higher volumes of interest earning assets at a more favorable interest rate spread. Also, the Company reduced its provision for loan losses by $27,000 in 1997 because of the good performance of the loan portfolio. Noninterest income increased $44,000 mainly due to higher service charges on deposit accounts. Noninterest expenses increased $125,000 in 1997, primarily due to depreciation, amortization and maintenance expenses of the Bank's new computer equipment and software that was implemented during only a part of 1996.

Net Interest Income

Net interest income is the amount of interest earned on interest earning assets (loans, securities, interest bearing deposits in other banks and federal funds sold), less the interest expense incurred on interest bearing liabilities (primarily interest bearing deposits and long-term debt), and is the principal source of the Company's earnings. Net interest income is affected by the level of interest rates, the volume and mix of interest earning assets and interest bearing liabilities, and the relative funding of the assets.

For analysis purposes, interest income from tax-exempt investments is adjusted to an amount which would have to be earned on taxable investments to produce the same after-tax yields. This adjusted amount is referred to as fully taxable equivalent ("FTE") interest income.

FTE net interest income was $2,585,000, $2,467,000 and $2,250,000 for 1998, 1997 and 1996, respectively. The $118,000 growth in FTE net interest income for 1998 was attributable primarily to larger volumes of interest earning assets and lower rates paid on interest bearing liabilities. The yield earned on average interest earning assets decreased by 19 basis points in 1998 compared with 1997. However, volumes of interest earning assets increased by $2,104,000, or 4.2%. This volume increase was more than sufficient to offset the reduction in yield and resulted in an increase of $86,000 in FTE interest income.

The rate paid on average interest bearing liabilities decreased by 17 basis points in 1998, resulting in a $32,000 reduction of interest expense, net of the offsetting effect of interest paid on the increased volume of average interest bearing liabilities. While average interest bearing liabilities increased in 1998 by $1,054,000 or 2.5%, interest-free funds supporting interest earning assets increased by $1,050,000 or 14.8%. This increased level of interest-free funds caused the net yield on earning assets to increase by 3 basis points.

The $217,000 increase in FTE net interest income for 1997 resulted from increased volumes of interest earning assets and interest bearing liabilities at a more favorable interest rate spread. Increased loan volume in the mix of interest earning assets heavily contributed to the higher net interest income. In addition, lower rates paid on interest bearing liabilities was a contributing factor.

The table, "Average Balances, Yields and Rates", provides a detailed analysis of the effective yields and rates on the categories of average interest earning assets and interest bearing liabilities for the years ended December 31, 1998, 1997 and 1996.

Average Balances, Yields and Rates

<TABLE>
<CAPTION>

	Years ended December 31,								
	1998			1997			1996		
	Average Balances(1)	FTE Interest Income/ Expense	Yields/ Rates	Average Balances(1)	FTE Interest Income/ Expense	Yields/ Rates	Average Balances(1)	FTE Interest Income/ Expense	Yields/ Rates
	(Dollars in thousands)								
Assets									
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Interest-bearing deposits in other banks	$ 351	$ 20	5.70%	$ 481	$ 29	6.03%	$ 495	$ 31	6.26%
Securities									
Taxable	11,447	756	6.60%	11,793	766	6.50%	12,249	785	6.41%
Tax-exempt (2)	4,188	289	6.90%	4,040	272	6.73%	3,661	253	6.91%
Total securities	15,635	1,045	6.68%	15,833	1,038	6.56%	15,910	1,038	6.52%
Other investments	377	27	7.16%	377	26	6.90%	377	20	5.31%
Federal funds sold	4,970	259	5.21%	2,004	109	5.44%	1,610	84	5.22%
Loans (3)	30,499	3,049	10.00%	31,033	3,112	10.03%	29,206	2,899	9.93%
Total interest earning assets	51,832	4,400	8.49%	49,728	4,314	8.68%	47,598	4,072	8.55%
Cash and due from banks	1,760			1,555			1,390		
Allowance for loan losses	(269)			(270)			(247)		
Premises and equipment	750			800			943		
Other assets	756			673			396		
Total assets	$ 54,829			$52,486			$ 50,080		
Liabilities and shareholders' equity									
Interest bearing deposits									
Interest bearing transaction accounts	$ 13,043	$ 279	2.14%	$11,824	$ 261	2.21%	$ 9,704	$ 207	2.13%
Savings	2,640	58	2.20%	2,624	65	2.48%	2,815	80	2.84%
Time deposits $100M and over	4,453	208	4.67%	4,352	207	4.76%	3,840	184	4.79%
Other time deposits	19,508	1,039	5.33%	19,784	1,080	5.46%	20,122	1,122	5.58%
Total interest bearing deposits	39,644	1,584	4.00%	38,584	1,613	4.18%	36,481	1,593	4.37%
Federal funds purchased	35	3	8.57%	41	2	4.88%	31	2	6.45%
Long-term debt	4,000	228	5.70%	4,000	232	5.80%	4,000	227	5.68%
Total interest bearing liabilities	43,679	1,815	4.16%	42,625	1,847	4.33%	40,512	1,822	4.50%
Noninterest bearing demand deposits	4,104			3,362			3,460		
Other liabilities	453			416			420		
Shareholders' equity	6,593			6,083			5,688		
Total liabilities and shareholders' equity	$ 54,829			$52,486			$ 50,080		
Interest rate spread (4)			4.33%			4.35%			4.05%
Net interest income and net yield on earning assets (5)		$ 2,585	4.99%		$ 2,467	4.96%		$ 2,250	4.73%
Interest free funds supporting earning assets (6)	$ 8,153			$ 7,103			$ 7,086		

</TABLE>

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(1) Average balances are computed on a daily basis.
(2) Computed on a fully taxable equivalent basis using a federal income tax rate of 34%.
(3) Nonaccruing loans are included in the average loan balances and income on such loans is recognized on a cash basis.
(4) Total interest earning assets yield less the total interest bearing liabilities rate.
(5) Net interest income divided by total interest earning assets.
(6) Total interest earning assets less total interest bearing liabilities.

The table, "Volume and Rate Variance Analysis", provides a summary of changes in net interest income resulting from changes in volumes of interest earning assets and interest bearing liabilities, and the rates earned and paid on such assets and liabilities.

Volume and Rate Variance Analysis

<TABLE>
<CAPTION>

	1998 Compared with 1997			1997 Compared with 1996		
	Volume (1)	Rate (1)	Total	Volume (1)	Rate (1)	Total
	(Dollars in thousands)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Interest-bearing deposits in other banks	$ (7)	$ (2)	$ (9)	$ (1)	$ (1)	$ (2)
Taxable securities	(23)	13	(10)	(29)	10	(19)
Tax-exempt securities (2)	10	7	17	25	(6)	19
Other investments	-	1	1	-	6	6
Federal funds sold	155	(5)	150	21	4	25
Loans	(53)	(10)	(63)	183	30	213
Total interest income	82	4	86	199	43	242
Interest bearing deposits						
Interest bearing transaction accounts	26	(8)	18	47	7	54
Savings	-	(7)	(7)	(5)	(10)	(15)
Time deposits $100M and over	5	(4)	1	24	(1)	23
Other time deposits	(15)	(26)	(41)	(19)	(23)	(42)
Federal funds purchased	-	1	1	1	(1)	-
Long-term debt	-	(4)	(4)	-	5	5
Total interest expense	16	(48)	(32)	48	(23)	25
Net interest income	$ 66	$ 52	$ 118	$ 151	$ 66	$ 217

</TABLE>

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(1) The rate/volume variance for each category has been allocated on a consistent basis between rate and volume variance based on the percentage of rate or volume variance to the sum of the two absolute variances, except in categories having balances in only one period. In such cases, the entire variance is attributed to volume differences.
(2) Computed on a fully taxable equivalent basis using a federal income tax rate of 34%.

During 1999, management expects that interest rates will move within a narrow range, and management has not identified any factors that would cause interest rates to increase or decrease sharply in a short period of time. Any improvements in net interest income for 1999 are expected, therefore, to be largely the result of increases in the volume of interest earning assets and liabilities. Management expects to continue to use aggressive marketing strategies to increase the Company's market share for both deposits and quality loans within its service area. These strategies involve offering attractive interest rates and continuing the Company's commitment to providing outstanding customer service.

Interest Rate Sensitivity

Interest rate sensitivity measures the timing and magnitude of the repricing of assets compared with the repricing of liabilities and is an important part of asset/liability management. The objective of interest rate sensitivity management is to generate stable growth in net interest income, and to control the risks associated with interest rate movements. Management constantly monitors interest rate risk exposures and the expected interest rate environment so that adjustments in interest rate sensitivity can be timely made.

The table, "Interest Sensitivity Analysis", indicates that, on a cumulative basis through twelve months, rate sensitive liabilities exceeded rate sensitive assets, resulting in a liability sensitive position at the end of 1998 of $6,175,000, and a cumulative gap ratio of .85. When interest sensitive assets exceed interest sensitive liabilities for a specific repricing "horizon", a positive interest sensitivity gap results. The gap is negative when interest sensitive liabilities exceed interest sensitive assets, as was the case at the end of 1998 with respect to the one-year time horizon. For a bank with a negative gap, falling interest rates would be expected to have a positive effect on net interest income and rising rates would be expected to have the opposite effect.

The table reflects the balances of interest earning assets and interest bearing liabilities at the earlier of their repricing or maturity dates. Amounts of fixed rate loans are reflected at the loans' final maturity dates. Variable rate loans are reflected at the earlier of their contractual maturity date or the date at which the loans may be repriced contractually. Interest bearing deposits in other banks and debt securities are reflected at the earlier of each instrument's ultimate maturity or contractual repricing date. Overnight federal funds sold are reflected in the earliest contractual repricing interval due to the immediately available nature of these funds. Interest bearing liabilities with no contractual maturity, such as interest bearing transaction accounts and savings deposits are reflected in the earliest repricing interval due to contractual arrangements which give management the opportunity to vary the rates paid on these deposits within a thirty-day or shorter period. However, the Company is under no obligation to vary the rates paid on those deposits within any given period. Fixed rate time deposits, principally certificates of deposit are reflected at their contractual maturity dates. Variable rate time deposits, principally individual retirement accounts, are reflected at the earlier of their next repricing or maturity dates.

Interest Sensitivity Analysis

<TABLE>
<CAPTION>

	December 31, 1998				
	Within 3 Months	4-12 Months	Over 1-5 Years	Over 5 Years	Total
	(Dollars in thousands)				
Interest earning assets					
<S>	<C>	<C>	<C>	<C>	<C>
Interest-bearing deposits in other banks	$ 26	$ 294	$ -	$ -	$ 320
Securities available-for-sale	10,868	147	1,626	3,659	16,300
Other investments	377	-	-	-	377
Federal funds sold	8,070	-	-	-	8,070
Loans (1)	13,843	1,419	12,066	1,787	29,115
Total interest earning assets	33,184	1,860	$13,692	$ 5,446	$54,182
Interest bearing liabilities					
Interest bearing deposits					
Interest bearing transaction accounts	$13,845	$ -	$ -	$ -	$13,845
Savings	2,563	-	-	-	2,563
Time deposits $100M and over	1,315	2,462	1,912	-	5,689
Other time deposits	6,927	10,107	2,514	-	19,548
Long-term debt	4,000	-	-	-	4,000
Total interest bearing liabilities	28,650	12,569	$ 4,426	$ -	$45,645
Interest sensitivity gap	$ 4,534	$(10,709)			
Cumulative interest sensitivity gap	$ 4,534	$ (6,175)			
Gap ratio	1.16	0.15			
Cumulative gap ratio	1.16	0.85			

</TABLE>

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(1) Loans are net of net deferred loan fees of $28,000.

During 1999, management plans to monitor the Company's liability sensitive position and take appropriate actions to promote a stable net interest spread and soften the negative effects of any increase in interest rates that might occur.

Provision for Loan Losses

The provision for loan losses is charged to earnings based on management's continuing review and evaluation of the loan portfolio and general economic conditions. There was no provision for loan losses in 1998 compared with $5,000 and $32,000 for the years ended December 31, 1997 and 1996, respectively. The decreased provision in 1998 is due mainly to a reduction in loan volume as compared with prior years, and no material change in the ratio of net loan charge-offs as a percentage of loans outstanding. Furthermore, the level of impaired or nonperforming loans has decreased, and identified potential problem loans remain immaterial. The allowance for loan losses as a percentage of total loans at year-end was .91% for 1998 compared with .85% at the end of 1997. Net loan charge-offs were $7,000 in 1998 compared with $3,000 and $7,000 for 1997 and 1996, respectively. See "Impaired Loans" and "Allowance for Loan Losses" for a discussion of the factors management considers in its review of the adequacy of the allowance and provision for loan losses.

Other Income

Noninterest income for 1998 increased $70,000 or 20.5% compared with an increase of $44,000 or 14.8% for 1997. Service charges on deposit accounts increased $55,000 in 1998 and $39,000 in 1997. These increases were primarily due to increased chargeable account activity. Credit life insurance commission income was down $16,000 in 1998 due to lower consumer demand, after increasing $2,000 in 1997. There were no realized securities gains or losses in 1998 or 1997, and a negligible securities loss in 1996. Other noninterest income increased $32,000 in 1998 compared with the previous year. In 1998, other noninterest income included an increase of $25,000 in credit card merchant services income, a $5,000 increase in safe deposit box rental fees, and an $11,000 gain from the sale of a Company vehicle.

Other Expenses

Noninterest expenses for 1998 increased $133,000 or 9.7%, compared with an increase of $125,000 or 10.0% for 1997. Salaries and employee benefits increased $34,000 or 4.5% in 1998, and $34,000 or 4.7% in 1997, primarily as the result of salary increases. Net occupancy and furniture and equipment expenses increased $23,000 or 9.2%, after a $56,000 or 28.8% increase for 1997. The increase in 1998 was caused primarily by higher amortization and maintenance expenses for the Company's computer equipment and related software. The 1997 increase was attributable to a full year of higher depreciation and amortization expenses related to the Company's acquisition of its new mainframe computer system, software and other peripheral equipment that was not placed in service until late in the second quarter of 1996. Other noninterest expenses increased a total of $77,000 or 20.8% in 1998 compared with 1997. Included in this net increase in expenses were a $12,000 increase for stationery, printing and postage, and nonrecurring expenses in connection with the reorganization of Clover Community Bank into the present bank holding company structure totaling approximately $34,000.

Noninterest overhead expenses for 1999 are expected to increase as compared with 1998, due in part to continued growth, investment in technology, operation of the bank holding company, as well as some general inflationary increases. Management believes that continued investment in technology is essential to allow for the expansion of products and services necessary to keep the Company competitive in its market. The Company's FDIC insurance rates are assessed based on the lowest rate available under regulations and are expected to continue at relatively low levels for the near future. Increases in noninterest expenses are closely monitored and cost control will continue to be emphasized by management where possible in order to achieve profitability objectives and attain the goals of growth and outstanding customer service in the Clover market area.

Income Taxes

For 1998, federal and state income tax expenses increased to $459,000 from $433,000 in 1997 and $375,000 in 1996. The increases in income tax expense are due to higher earnings and taxable income. The effective income tax rate (income tax expense divided by income before income taxes) was 33.0% for 1998, compared with 32.4% and 31.8% for 1997 and 1996, respectively. The higher effective rate for 1998 was attributable to the nondeductibility of certain expenses incurred to form the bank holding company.

Securities

The following table summarizes the carrying value amounts of securities held by the Company at each of the dates indicated.

Securities Portfolio Composition

December 31,

	1998 Available-for-Sale	1997 Available-for-Sale	1996 Available-for-Sale
	(Dollars in thousands)		
U. S. Treasury	$ 1,002	$ 998	$ 994
U. S. Government agencies	2,980	2,978	2,987
State, county and municipal	5,198	4,188	4,087
Mortgage-backed securities	7,120	7,972	7,948
Total	$ 16,300	$ 16,136	$ 16,016

On an ongoing basis, management assigns securities upon purchase into one of the categories designated by SFAS No. 115 (trading, available-for-sale or held-to-maturity) based on intent, taking into consideration other factors including expectations for changes in market rates of interest, liquidity needs, asset/liability management strategies, and capital requirements. The Company has never held securities for trading purposes. During 1998, 1997, and 1996, there have been no transfers of available-for-sale or held-to-maturity securities to other categories.

At December 31, 1998, the Company had concentrated an amortized cost of $750,000 into Clover, South Carolina School District bonds (Moody's rating AA) carried in the consolidated balance sheet at an estimated fair value of $752,000. An amortized cost of $686,000 was concentrated into Fairfield County, South Carolina School District bonds (Moody's rating AAA) which were carried in the consolidated balance sheet at an estimated fair value of $689,000. An amortized cost of $945,000 was concentrated into Town of Clover, South Carolina bonds (not rated) which were carried in the consolidated balance sheet at an estimated fair value of $945,000. Management is not aware of any special risks involving these investments.

The following table presents maturities and weighted average yields of securities at December 31, 1998.

Securities Portfolio Maturities and Yields

	December 31, 1998 Available-for-Sale	Yield
	(Dollars in thousands)	
U. S. Treasury		
Within one year	$ 1,002	5.82%
U. S. Government agencies		
Within one year	1,457	5.55%
After one through five years	-	0.00%
After five through ten years	1,523	7.36%
After ten years	-	0.00%
	2,980	6.48%
State, county and municipal (1)		
Within one year	1,500	6.55%
After one through five years	1,626	7.16%
After five through ten years	1,957	7.45%
After ten years	115	7.58%
	5,198	7.10%
Mortgage-backed securities (2)		
Within one year	26	5.54%
After one through five years	-	0.00%
After five through ten years	1,177	5.97%
After ten years	5,917	6.48%
	7,120	6.39%
Total		
Within one year	3,985	5.99%
After one through five years	1,626	7.16%
After five through ten years	4,657	7.05%
After ten years	6,032	6.50%
Total	$16,300	6.60%

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(1) Computed on a fully taxable equivalent basis using a federal income tax rate of 34%.

(2) Maturity categories based upon final stated maturity dates. Average maturity is substantially shorter because of the monthly return of principal on certain securities.

Loan Portfolio

Management believes the loan portfolio is adequately diversified. There are no significant concentrations of loans in any particular individuals or industry or group of related individuals or industries, and there are no foreign loans.

The amounts of loans outstanding at December 31, 1998, 1997 and 1996 are shown in the following table according to type of loan, and the percentage of each category to total loans:

Loan Portfolio Composition

<TABLE>
<CAPTION>

	December 31,					
	1998		1997		1996	
	Amount	%	Amount	%	Amount	%
	(Dollars in thousands)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Commercial and industrial	$ 4,540	15.6%	$ 5,611	17.6%	$ 5,917	18.7%
Real estate - construction	4,966	17.0%	6,447	20.2%	5,445	17.2%
Real estate - mortgage						
Farmland	187	.6%	244	.7%	185	.6%
1-4 family residential	11,079	38.0%	11,359	35.6%	11,034	35.0%
Nonfarm, nonresidential	5,243	18.0%	5,092	16.0%	5,966	18.9%
Consumer installment	3,128	10.8%	3,163	9.9%	3,037	9.6%
Total loans	$29,143	100.0%	$31,916	100.0%	$31,584	100.0%

</TABLE>

A certain degree of risk taking is inherent in the extension of credit. Management has established loan and credit policies designed to control both the types and amounts of risks assumed and to ultimately minimize losses. Such policies include limitations on loan-to-collateral values for various types of collateral, requirements for appraisals of real estate collateral, problem loan management practices and collection procedures, and nonaccrual and charge-off guidelines.

Commercial and industrial loans primarily represent loans made to businesses, and may be made on either a secured or an unsecured basis. When taken, collateral consists of liens on receivables, equipment, inventories, furniture and fixtures. Unsecured business loans are generally short-term with emphasis on repayment strengths and low debt-to-worth ratios. During 1998, commercial and industrial loans decreased $1,071,000 or 19.1%. This category accounted for a significant portion of the decrease in total loans in 1998, and was attributable to lower demand and interest rate competition in the Company's market. Loans mainly for business and investment purposes that are secured by real estate (nonfarm, nonresidential) increased by $151,000 or 3.0% during 1998. Commercial lending involves significant risk because repayment usually depends on the cash flows generated by a borrower's business, and the debt service capacity of a business can deteriorate because of downturns in national and local economic conditions. To control risk, more in-depth initial and continuing financial analysis of a commercial borrower's cash flows and other financial information is generally required.

Real estate construction loans generally consist of financing the construction of 1-4 family dwellings and some nonfarm, nonresidential real estate. Usually, loan-to-cost ratios are limited to 75% and permanent financing commitments are usually required prior to the advancement of loan proceeds. In 1998, this category of loans decreased $1,481,000 or 23.0%. The volume of real estate construction loans can vary significantly in any given period depending on building activity in the local market.

Loans secured by real estate mortgages comprised approximately 57%, 52% and 55% of the Company's loan portfolio at the end of 1998, 1997 and 1996, respectively. Real estate mortgage loans of all types decreased by $186,000 during 1998 after declining by $490,000 in 1997. These reductions are attributable primarily to the current "buyer's market" in mortgage lending rates. The Company purposely has not originated fixed-rate long-term mortgage loans at the low rates prevalent throughout the past few years, opting instead to lend for these purposes using instruments with fixed-rate terms not exceeding five years. Residential real estate loans consist mainly of first and second mortgages on single family homes. Loan-to-value ratios for these instruments are generally limited to 80%. Nonfarm, nonresidential loans are secured by business and commercial properties with loan-to-value ratios generally limited to 75%. The repayment of both residential and business real estate loans is dependent primarily on the income and cash flows of the borrowers, with the real estate serving as a secondary or liquidation source of repayment.

Maturity Distribution of Loans

The following table sets forth the maturity distribution of the Company's loans, by type, as of December 31, 1998, as well as the type of interest requirement on such loans.

<TABLE>
<CAPTION>

	December 31, 1998			
	One Year or Less	One to Five Years	Five Years or More	Total
	(Dollars in thousands)			
<S>	<C>	<C>	<C>	<C>
Commercial and industrial	$ 1,945	$ 2,306	$ 289	$ 4,540
Real estate - construction	2,902	2,029	35	4,966
Real estate - mortgage	1,821	8,575	6,113	16,509
Consumer installment loans	1,046	2,047	35	3,128
Total loans	$ 7,714	$14,957	$ 6,472	$29,143
Predetermined rate, maturity greater than one year		$11,649	$ 1,937	$13,586
Variable rate or maturity within one year	$ 7,714	$ 3,308	$ 4,535	$15,557

</TABLE>

Impaired Loans

Impaired loans are those loans on which, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. Loans which management has identified as impaired generally are nonperforming loans. Nonperforming loans include nonaccrual loans or loans which are 90 days or more delinquent as to principal or interest payments. Following is a summary of the Company's impaired loans:

Nonaccrual and Past Due Loans

<TABLE>
<CAPTION>

	December 31, 1998		
	1998	1997	1996
	(Dollars in thousands)		
<S>	<C>	<C>	<C>
Nonaccrual loans	$ -	$ 70	$ 50
Accruing loans 90 days or more past due	1	7	-
Total	$ 1	$ 77	$ 50
Percent of total loans	0.0%	0.2%	0.2%

</TABLE>

When an impaired loan is 90 days or more past due as to interest or principal or there is serious doubt as to ultimate collectibility, the accrual of interest income is generally discontinued. Previously accrued interest on loans placed in a nonaccrual status is reversed against current income, and subsequent interest income is recognized on a cash basis when received. When the collectibility of a significant amount of principal is in serious doubt, collections are credited first to the remaining principal balance on a cost recovery basis. An impaired nonaccrual loan is not returned to accrual status unless principal and interest are current and the borrower has demonstrated the ability to continue making payments as agreed. The effects of interest income accrued and collected on impaired loans were immaterial to the consolidated financial statements for 1998, 1997 and 1996.

As of December 31, 1998, there were no commitments to lend additional funds to debtors owing amounts on impaired loans.

Potential Problem Loans

Management has identified and maintains a list of potential problem loans. These are loans that are not included in impaired loans (nonaccrual or past due 90 days or more and still accruing). A loan is added to the potential problem list when management becomes aware of information about possible credit problems of borrowers that causes doubts as to the ability of such borrowers to comply with the current loan repayment terms. The total amount of loans outstanding at December 31, 1998 determined by management to be potential problem loans was $34,000. This amount does not represent management's estimate of potential losses since a portion of such loans is secured by various types of collateral.

Allowance for Loan Losses

The allowance for loan losses is increased by direct charges to operating expense. Losses on loans are charged against the allowance in the period in which management has determined it is more likely than not that such loans have become uncollectible. Recoveries of previously charged off loans are credited to the allowance. The table, "Summary of Loan Loss Experience", summarizes loan balances at the end of each period indicated, averages for each period, changes in the allowance arising from charge-offs and recoveries by loan category, and additions to the allowance which have been charged to expense.

In reviewing the adequacy of the allowance for loan losses at each year end, management took into consideration the historical loan losses experienced by the Company, current economic conditions affecting the borrowers' ability to repay, the volume of loans, the trends in delinquent, nonaccruing, and potential problem loans, and the quality of collateral securing nonperforming and problem loans. After charging off all known losses, management considers the allowance for loan losses adequate to cover its estimate of possible future loan losses inherent in the loan portfolio as of December 31, 1998.

In calculating the amount required in the allowance for loan losses, management applies a consistent methodology that is updated quarterly. The methodology utilizes a loan risk grading system and detailed loan reviews to assess credit risks and the overall quality of the loan portfolio, as well as other off-balance-sheet credit risks such as loan commitments and standby letters of credit. Also, the calculation provides for management's assessment of trends in national and local economic conditions that might affect the general quality of the loan portfolio.

Summary of Loan Loss Experience

<TABLE>
<CAPTION>

	Years Ended December 31,				
	1998	1997	1996	1995	1994
	(Dollars in thousands)				
<S>	<C>	<C>	<C>	<C>	<C>
Total loans outstanding at end of period	$29,115	$31,886	$31,552	$28,220	$26,255
Average amount of loans outstanding	30,499	31,033	29,206	27,307	26,649
Balance of allowance for loan losses - beginning	$ 272	$ 270	$ 245	$ 248	$ 257
Loans charged off					
Commercial and industrial	-	4	-	40	-
Consumer installment	9	6	10	10	20
Total charge-offs	9	10	10	50	20
Recoveries of loans previously charged off					
Commercial and industrial	-	4	-	-	-
Real estate - mortgage	-	-	-	-	9
Consumer installment	2	3	3	2	2
Total recoveries	2	7	3	2	11
Net charge-offs	7	3	7	48	9

Additions to allowance charged to expense	-	5	32	45	-
Balance of allowance for loan losses - ending	$ 265	$ 272	$ 270	$ 245	$ 248
Ratios					
Net charge-offs to average loans	0.02%	0.01%	0.02%	0.18%	0.03%
Net charge-offs to loans at end of period	0.02%	0.01%	0.02%	0.17%	0.03%
Allowance for loan losses to average loans	0.87%	0.88%	0.92%	0.90%	0.93%
Allowance for loan losses to loans at end of period	0.91%	0.85%	0.86%	0.87%	0.94%
Net charge-offs to allowance for loan losses	2.64%	1.10%	2.59%	19.59%	3.63%
Net charge-offs to provision for loan losses	NA	60.00%	21.88%	106.67%	NA

</TABLE>

The following table presents the allocation of the allowance for loan losses at the end of each of the last three years, compared with the percent of loans in the applicable categories to total loans.

Allocation of Allowance for Loan Losses

<TABLE>
<CAPTION>

	December 31,					
	1998		1997		1996	
	Amount	% of Loans	Amount	% of Loans	Amount	% of Loans
	(Dollars in thousands)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Commercial and industrial	$ 48	15.6%	$ 57	17.6%	$ 56	18.7%
Real estate- construction	37	17.0%	48	20.2%	42	17.2%
Real estate - mortgage	122	56.6%	125	52.3%	130	54.5%
Consumer installment	38	10.8%	42	9.9%	42	9.6%
Unallocated	20	0.0%	-	0.0%	-	0.0%
Total	$265	100.0%	$272	100.0%	$270	100.0%

</TABLE>

Deposits

The average amounts and percentage composition of deposits held by the Company for the years ended December 31, 1998, 1997 and 1996, are summarized below:

Average Deposits

<TABLE>
<CAPTION>

	Years Ended December 31,					
	1998		1997		1996	
	Amount	%	Amount	%	Amount	%
	(Dollars in thousands)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Noninterest bearing demand	$ 4,104	9.4%	$ 3,362	8.0%	$ 3,460	8.7%
Interest bearing transaction accounts	13,043	29.8%	11,824	28.2%	9,704	24.3%
Savings	2,640	6.0%	2,624	6.3%	2,815	7.0%
Time deposits $100M and over	4,453	10.2%	4,352	10.4%	3,840	9.6%
Other time	19,508	44.6%	19,784	47.1%	20,122	50.4%
Total deposits	$43,748	100.0%	$41,946	100.0%	$39,941	100.0%

</TABLE>

As of December 31, 1998, there were $5,689,000 in time deposits of $100,000 or more with approximately $1,315,000 maturing within three months, $666,000 maturing over three through six months, $1,796,000 maturing over six through twelve months and $1,912,000 maturing after one year. Average time deposits $100,000 and over comprised approximately 10% of total average deposits during 1998, 1997 and 1996. The vast majority of time deposits $100,000 and over are acquired from customers within the Company's service area. Such deposits generally are acquired in the normal course of business. The Company does not purchase brokered deposits. While most of the large time deposits are acquired from customers with standing banking relationships, it is a common industry practice not to consider these types of deposits as core deposits because their retention can be expected to be heavily influenced by rates offered, and therefore such deposits have the characteristics of shorter-term purchased funds. Certificates of deposit $100,000 and over involve the maintenance of an appropriate matching of maturity distribution and a diversification of sources to achieve an appropriate level of liquidity.

Return on Equity and Assets

The following table shows the return on assets (net income divided by average total assets), return on equity (net income divided by average equity), dividend payout ratio (dividends declared per share divided by net income per share), and equity to assets ratio (average equity divided by average total assets) for each period indicated.

	Years Ended December 31,		
	1998	1997	1996
Return on assets	1.70%	1.72%	1.61%
Return on equity	14.12%	14.84%	14.14%
Dividend payout ratio	54.35%	56.18%	25.00%
Equity to assets ratio	12.02%	11.59%	11.36%

Liquidity

Liquidity is the ability to meet current and future obligations through liquidation or maturity of existing assets or the acquisition of additional liabilities. Adequate liquidity is necessary to meet the requirements of customers for loans and deposit withdrawals in the most timely and economical manner. Some liquidity is ensured by maintaining assets which may be immediately converted into cash at minimal cost (amounts due from banks and federal funds sold). However, the most manageable sources of liquidity are composed of liabilities, with the primary focus of liquidity management being on the ability to obtain deposits within the Company's service area. Core deposits (total deposits, less time deposits of $100,000 and over) provide a relatively stable funding base, and the average of these deposits represented 71.7% of average total assets during 1998 compared with 71.6% during 1997, and 72.1% during 1996.

The banking subsidiary has available at the end of 1998 unused short-term lines of credit to purchase up to $2,250,000 of federal funds from unrelated correspondent institutions. In addition, the Bank has outstanding long-term debt of $4,000,000 from the Federal Home Loan Bank of Atlanta (the "FHLB") used to fund earning assets with longer maturities. In connection with this long-term debt, the Bank has a further undrawn long-term debt availability from the FHLB of approximately $3,881,000.

Asset liquidity is provided from several sources, including amounts due from banks and federal funds sold. Available-for-sale securities, particularly those maturing within one year, also provide a secondary source of liquidity. In addition, funds from maturing loans are a source of liquidity. Asset liquidity, particularly in the category of federal funds sold increased considerably in 1998 by $6,535,000. The reduction in loan volume in 1998, along with increased deposits, provided the source of funds for this asset. Management took a conservative approach in investing these funds, electing to remain in a liquid position in an asset that would reprice quickly if interest rates moved upward. If stronger quality loan demand does not materialize in the near future, management may consider investing some of these funds in available-for-sale securities.

Clover Community Bankshares, Inc.'s ability to meet its cash obligations or to pay any possible future cash dividends to shareholders is dependent primarily on the successful operation of the subsidiary bank and its ability to pay cash dividends to the parent company. All of the banking subsidiary's cash dividends are subject to the prior approval of the South Carolina Commissioner of Banking and are generally payable only from its undivided profits. At December 31, 1998, the banking subsidiary's available undivided profits totaled $3,004,000. Under Federal Reserve Board regulations, the amounts of loans or advances from the banking subsidiary to the parent company are also restricted. During 1998, the parent company received a $500,000 cash dividend from its banking subsidiary after the effective date of the corporate reorganization.

Management believes that the overall liquidity sources of both the Company and its banking subsidiary are adequate to meet their operating needs.

Capital Resources

Shareholders' equity increased by $381,000 and $504,000 during 1998 and 1997, respectively. During 1998, net income increased shareholders' equity $931,000, while cash dividends of $506,000 and the change in unrealized holding gains and losses on available-for-sale securities of $44,000, charged to accumulated other comprehensive income, decreased shareholders' equity. Management continues to retain a portion of earnings to support future asset growth. Beginning in 1999, the Board of Directors established a dividend reinvestment plan to provide shareholders with the opportunity to automatically reinvest all or some of their cash dividends into additional shares of the Company's common stock. This plan may provide additional capital resources from those shareholders who elect to participate.

The Company and its banking subsidiary are each subject to regulatory risk-based capital adequacy standards. Under these standards, bank holding companies and banks are required to maintain certain minimum ratios of capital to risk-weighted assets and average total assets. Under the provisions of the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA), federal bank regulatory authorities are required to implement prescribed "prompt corrective actions" upon the deterioration of the capital position of a bank or bank holding company. If the capital position of an affected institution were to fall below certain levels, increasingly stringent regulatory corrective actions are mandated. Unrealized holding gains and losses on available-for-sale securities are generally excluded for purposes of calculating regulatory capital ratios. However, the extent of any unrealized appreciation or depreciation on securities will continue to be a factor that regulatory examiners consider in their overall assessment of capital adequacy.

Quantitative measures established by regulation to ensure capital adequacy require both the Company and Clover Community Bank to maintain minimum amounts and ratios set forth in the table below of Total and Tier 1 Capital, as defined in the regulation, to risk weighted assets, as defined, and of Tier 1 Capital, as defined, to average assets, as defined. Management believes, as of December 31, 1998 and 1997, that the Company and Clover Community Bank exceeded all capital adequacy minimum requirements to which they were subject.

To be categorized as well capitalized, the Company and Clover Community Bank must maintain minimum Total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios as set forth in the table below. The federal regulators may also categorize the Company or Clover Community Bank as less than well capitalized based on subjective criteria. Management knows of no conditions or events that would cause the Company or Clover Community Bank to be categorized as less than well capitalized.

<TABLE>
<CAPTION>

	Actual		Minimum for Capital Adequacy		Minimum to be Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 1998			(Dollars in thousands)			
The Company						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Total Capital to risk weighted assets	$7,063	21.3%	$2,657	8.0%	$3,321	10.0%
Tier 1 Capital to risk weighted assets	$6,798	20.5%	$1,328	4.0%	$1,992	6.0%
Tier 1 Capital to average assets (leverage)	$6,798	11.9%	$1,717	3.0%	$2,862	5.0%
Clover Community Bank						
Total Capital to risk weighted assets	$6,603	19.9%	$2,657	8.0%	$3,321	10.0%
Tier 1 Capital to risk weighted assets	$6,338	19.1%	$1,328	4.0%	$1,992	6.0%
Tier 1 Capital to average assets (leverage)	$6,338	11.1%	$1,717	3.0%	$2,862	5.0%
December 31, 1997						
Clover Community Bank						
Total Capital to risk weighted assets	$6,645	19.3%	$2,753	8.0%	$3,441	10.0%
Tier 1 Capital to risk weighted assets	$6,373	18.5%	$1,376	4.0%	$2,065	6.0%
Tier 1 Capital to average assets (leverage)	$6,373	12.1%	$1,585	3.0%	$2,642	5.0%

</TABLE>

Year 2000 Readiness Disclosure

The Company is presently on schedule in implementing its Y2K Preparedness Plan. The plan has five phases: (1) Awareness, (2) Assessment, (3) Renovation, (4) Validation, and (5) Implementation. The awareness and assessment phases have been substantially completed as of December 31, 1998. These phases included the identification of critical systems and equipment potentially vulnerable to the year 2000 problem as well as the identification of significant loan customers whose businesses could possibly be adversely affected by the problem and communication with them about their progress in addressing the Year 2000 changeover. The renovation phase, consisting of upgrading or replacing systems and equipment, had also been largely completed by the end of 1998. The validation portion of the plan calls for the actual testing of systems and equipment as of certain critical dates with such testing to be completed by June 30, 1999. This testing is presently on schedule with no major problems encountered. Finally, the implementation phase, which requires addressing any problems encountered in the validation phase, along with continued review and assessment of the Company's systems and equipment, is presently underway and will continue until the year 2000 has arrived.

Management is of the opinion that the Company's systems and equipment will be ready for the Year 2000 in a timely manner without any material adverse effect on the Company's business. Because of the planned comprehensive computer hardware and software upgrade begun in 1995 and completed in 1996, the Company has incurred no material expenditures in 1998 or 1997 relating directly to the Year 2000 problem. The new components, which were largely Year 2000 compliant when installed, were acquired in the normal course of business to upgrade the Bank's computer capabilities. The previous system was over seven years old and was becoming functionally obsolete. The Company has been able to use existing internal personnel and resources to carry out its Y2K Preparedness Plan, and has used few outside resources that would incur significant additional costs. Management is not aware of any material future expenditures required to complete its preparedness plan.

Inflation

Since the assets and liabilities of a bank are primarily monetary in nature (payable in fixed, determinable amounts), the performance of a bank is affected more by changes in interest rates than by inflation. Interest rates generally increase as the rate of inflation increases, but the magnitude of the change in rates may not be the same.

While the effect of inflation on banks is normally not as significant as is its influence on those businesses which have large investments in plant and inventories, it does have an effect. During periods of high inflation, there are normally corresponding increases in the money supply, and banks will normally experience above-average growth in assets, loans and deposits. Also, general increases in the prices of goods and services will result in increased operating expenses.

Independent Auditors' Report

The Shareholders and Board of Directors
of Clover Community Bankshares, Inc.

We have audited the accompanying consolidated balance sheet of Clover Community Bankshares, Inc. and subsidiary as of December 31, 1998 and 1997, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Clover Community Bankshares, Inc. and subsidiary as of December 31, 1998 and 1997, and the consolidated results of their operations and their consolidated cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

s/Donald G. Jones and Company, P.A.

Donald G. Jones and Company, P.A.
Certified Public Accountants
Columbia, South Carolina

Consolidated Balance Sheet
Clover Community Bankshares, Inc.

<TABLE>
<CAPTION>

	December 31, 1998	December 31, 1997
Assets		
Cash and due from banks (Note C)	$ 1,727,391	$ 1,450,549
Interest-bearing deposits in other banks	320,267	440,602
Federal funds sold	8,070,000	1,535,000
Securities available-for-sale (Note D)	16,299,880	16,135,915
Other investments (Note E)	377,400	377,400
Loans-net (Note F)	28,849,664	31,614,019
Premises and equipment - net (Note G)	715,632	759,733
Accrued interest receivable	316,239	344,590
Other assets	244,804	250,831
Total assets	$56,921,277	$52,908,639
Liabilities		
Deposits (Note H)		
Noninterest bearing	$ 3,962,262	$ 3,890,742
Interest bearing	41,644,373	38,077,630
Total deposits	45,606,635	41,968,372
Long-term debt (Note I)	4,000,000	4,000,000
Accrued interest payable	392,644	351,346
Other liabilities	-	48,353
Total liabilities	49,999,279	46,368,071
Commitments and contingent liabilities (Note N)		
Shareholders' equity (Notes B and J)		
Common stock - par value - $.01 for 1998 and $1.25 for 1997;10,000,000 shares authorized; issued and outstanding - 1,011,020 shares for 1998 and 1997	10,110	1,263,775
Capital surplus	3,323,861	2,070,196
Retained earnings	3,464,499	3,038,658
Accumulated other comprehensive income	123,528	167,939
Total shareholders' equity	6,921,998	6,540,568
Total liabilities and shareholders' equity	$56,921,277	$52,908,639

</TABLE>

See accompanying notes to consolidated financial statements.

Consolidated Statement of Income
Clover Community Bankshares, Inc.

<TABLE>
<CAPTION>

Years Ended December 31,		
1998	1997	1996

Interest Income			
Loans, including fees	$3,048,653	$3,112,053	$ 2,899,062
Interest-bearing deposits in other banks	20,575	28,955	30,623
Securities			
Taxable	756,518	765,822	785,466
Tax-exempt	190,766	179,662	166,966
Federal funds sold	258,544	109,441	84,303
Other investments	26,975	26,130	19,821
Total interest income	4,302,031	4,222,063	3,986,241
Interest expense			
Time deposits $100,000 and over	208,304	207,534	184,120
Other deposits	1,375,007	1,405,942	1,408,962
Federal funds purchased	3,012	2,039	1,812
Long-term debt	228,377	231,674	227,346
Total interest expense	1,814,700	1,847,189	1,822,240
Net interest income	2,487,331	2,374,874	2,164,001
Provision for loan losses (Note F)	-	5,000	31,500
Net interest income after provision	2,487,331	2,369,874	2,132,501
Other income			
Service charges on deposit accounts	349,143	294,572	255,081
Credit life insurance commissions	9,059	25,474	23,103
Securities losses	-	-	(64)
Other income	53,090	20,648	18,712
Total other income	411,292	340,694	296,832
Other expenses (Notes K and M)			
Salaries and employee benefits	791,958	757,882	723,810
Net occupancy expense	65,083	48,091	56,661
Furniture and equipment expense	206,186	200,247	136,095
Other expense	445,385	368,750	333,341
Total other expenses	1,508,612	1,374,970	1,249,907
Income before income taxes	1,390,011	1,335,598	1,179,426
Income tax expense (Note L)	458,660	432,382	375,440
Net income	$ 931,351	$ 903,216	$ 803,986
Per share			
Average shares outstanding	1,011,020	1,011,020	1,011,020
Net income	$ 0.92	$ 0.89	$ 0.80

See accompanying notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income
Clover Community Bankshares, Inc.

	Years Ended December 31, 1998	1997	1996
Net income	$ 931,351	$ 903,216	$ 803,986
Other comprehensive income (loss)			
Change in unrealized holding gains and losses on available-for-sale securities	(69,285)	164,399	(91,435)
Income tax expense (benefit) on other			

comprehensive income (loss)	(24,874)	59,020	(32,825)
Total other comprehensive income (loss)	(44,411)	105,379	(58,610)
Comprehensive income	$ 886,940	$1,008,595	$ 745,376

</TABLE>

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Shareholder's Equity
Clover Community Bankshares, Inc.

<TABLE>
<CAPTION>

	Common Stock					
	Number of Shares	Amount	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Total
<S> <C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance, January 1, 1996	1,011,020	$ 1,263,775	$2,070,196	$2,039,169	$121,170	$5,494,310
Cash dividends declared - $.20 per share				(202,204)		(202,204)
Change in unrealized holding gains and losses on available-for-sale securities, net of income tax benefit of $32,825					(58,610)	(58,610)
Net income	-	-	-	803,986	-	803,986
Balance, December 31, 1996	1,011,020	1,263,775	2,070,196	2,640,951	62,560	6,037,482
Cash dividends declared - $.50 per share				(505,509)		(505,509)
Change in unrealized holding gains and losses on available-for-sale securities, net of income taxes of $59,020					105,379	105,379
Net income	-	-	-	903,216	-	903,216
Balance, December 31, 1997	1,011,020	1,263,775	2,070,196	3,038,658	167,939	6,540,568

Cash dividends declared - $.50 per share				(505,510)		(505,510)
Change in unrealized holding gains and losses on available-for-sale .... securities, net of income tax benefit 'of $24,874					(44,411)	(44,411)
Exchange of $.01 par value common stock of Clover Community Bankshares, Inc. .... for all of the outstanding shares of Clover Community Bank (Note B)		(1,253,665)	1,253,665	-		
Net income	-	-	-	931,351	-	931,351
Balance, December 31, 1998	1,011,020	$ 10,110	$3,323,861	$3,464,499	$123,528	$6,921,998

</TABLE>

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows
Clover Community Bankshares, Inc.

<TABLE>
<CAPTION>

	Years Ended December 31,		
	1998	1997	1996
Operating Activities			
<S>	<C>	<C>	<C>
Net income	$ 931,351	$ 903,216	$ 803,986
Adjustments to reconcile net income to net cash provided by operating activities			
Provision for loan losses	-	5,000	31,500
Depreciation	119,406	114,672	95,476
Deferred income taxes	(38,286)	32,804	(37,446)
Securities accretion and premium amortization	15,891	22,116	15,461
Securities losses	-	-	64
Amortization of net loan fees and costs	(2,236)	(42,496)	(33,001)
Gain on sale of other real estate	-	-	(5,638)
(Gain) loss on disposal of fixed assets	(10,890)	117	-
Decrease (increase) in interest receivable	28,351	(11,410)	3,505
Increase in interest payable	41,298	5,966	3,585
Decrease (increase) in prepaid expenses and other assets	20,834	(51,404)	(92,921)
Decrease in other liabilities and accrued expenses	-	(8,249)	(99,932)
Net cash provided by operating activities	1,105,719	970,332	684,639
Investing activities			
Net decrease in interest-bearing deposits in other banks	98,000	98,000	-
Purchases of available-for-sale securities	(1,803,179)	(1,120,031)	(1,724,190)
Sales of available-for-sale securities	-	-	999,492
Maturities of available-for-sale securities	1,554,038	1,141,966	1,610,719
Net decrease (increase) in loans made to customers	2,766,591	(294,985)	(3,412,097)
Proceeds from sale of other real estate	-	-	112,484
Purchases of premises and equipment	(78,415)	(32,441)	(13,336)
Proceeds from sale of equipment	14,000	-	-
Net cash provided (used) by investing activities	2,551,035	(207,491)	(2,426,928)
Financing activities			
Net increase in demand deposits, interest bearing transaction accounts and savings accounts	1,745,816	736,734	2,446,045

Net increase (decrease) in certificates of deposit and other time deposits	1,892,447	(988,091)	433,546
Net decrease in federal funds purchased	-	-	(300,000)
Proceeds from long-term debt	-	4,000,000	-
Repayment of long-term debt	-	(4,000,000)	-
Cash dividends paid	(505,510)	(505,509)	(202,204)
Net cash provided (used) by financing activities	3,132,753	(756,866)	2,377,387
Increase in cash and cash equivalents	6,789,507	5,975	635,098
Cash and cash equivalents, beginning	3,034,151	3,028,176	2,393,078
Cash and cash equivalents, ending	$ 9,823,658	$ 3,034,151	$ 3,028,176

</TABLE>

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements
Clover Community Bankshares, Inc.

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization Clover Community Bankshares, Inc. (the "Company"), a bank holding company, and its wholly-owned subsidiary, Clover Community Bank (the "Bank"), are engaged in providing domestic commercial banking services from their headquarters office in Clover, South Carolina. The Company is a South Carolina corporation and its banking subsidiary is a state chartered commercial bank with its deposits insured by the Federal Deposit Insurance Corporation (the "FDIC"). Therefore, the Company and its bank subsidiary operate under the supervision, rules and regulations of the Federal Reserve Board, FDIC and South Carolina State Board of Financial Institutions. The holding company was incorporated on March 4, 1998, pursuant to a plan of reorganization as described in Note B to the consolidated financial statements. Clover Community Bank was organized in 1986 and first commenced commercial operations on October 1, 1987.

The subsidiary, Clover Community Bank, is a community-oriented institution offering a full range of traditional banking services, with the exception of trust services. Substantially all of its loans are made to individuals and businesses within the Clover area of York County, South Carolina. Also, substantially all of its deposits are acquired within its local market area and no brokered deposits are accepted.

Principles of Consolidation and Basis of Presentation The consolidated financial statements include the accounts of the parent company and its banking subsidiary after elimination of all significant intercompany balances and transactions. The accounting and reporting policies of the Company and its subsidiary are in conformity with generally accepted accounting principles and general practices within the banking industry.

Securities Equity securities that have readily determinable fair values and all debt securities are classified generally at the time of purchase into one of three categories: held-to-maturity, trading or available-for-sale. Debt securities which the Company has the positive intent and ability to hold to ultimate maturity are classified as held-to-maturity and accounted for at amortized cost. Debt and equity securities that are bought and held primarily for sale in the near term are classified as trading and are accounted for on an estimated fair value basis, with unrealized gains and losses included in other income. However, the Company has never held any securities for trading purposes. Securities not classified as either held-to-maturity or trading are classified as available-for-sale and are accounted for at estimated fair value. Unrealized holding gains and losses on available-for-sale securities are excluded from earnings and recorded as other comprehensive income, net of applicable income tax effects. Dividend and interest income, including amortization of any premium or accretion of discount arising at acquisition, is included in earnings for all three categories of securities. Realized gains and losses on all categories of securities are included in other operating income, based on the amortized cost of the specific security on a trade date basis.

Other Investments Other investments consist of restricted securities which are carried at cost. Management periodically evaluates these securities for impairment, with any appropriate downward valuation adjustments being made when necessary.

Loans and Interest Income Loans are carried at principal amounts outstanding, increased or reduced by deferred net loan costs or fees. Interest income on loans is recognized using the interest method based upon the principal amounts outstanding. Loan origination and commitment fees and certain direct loan origination costs (principally salaries and employee benefits) are deferred and amortized as an adjustment of the related loan's yield. Generally, these amounts are amortized over the contractual life of the related loans or commitments.

A loan is considered to be impaired when, in management's judgment based on current information and events, it is probable that the obligation's principal or interest will not be collectible in accordance with the terms of the original loan agreement. Impaired loans, when not material, are carried in the balance sheet at a value not to exceed their observable market price or the fair value of the collateral if the repayment of the loan is expected to be provided solely by the underlying collateral. The carrying value of any material impaired loan is measured based on the present value of expected future cash flows discounted at the loan's effective interest rate, which is the contractual interest rate adjusted for any deferred loan fees or costs, premium or discount existing at the inception or acquisition of the loan. Generally, the accrual of interest is discontinued on impaired loans and any previously accrued interest on such loans is reversed against current income. Any subsequent interest income is recognized on a cash basis when received unless collectibility of a significant amount of principal is in serious doubt. In such cases, collections are credited first to the remaining principal balance on a cost recovery basis. An impaired loan is not returned to accrual status unless principal and interest are current and the borrower has demonstrated the ability to continue making payments as agreed.

Allowance for Loan Losses An allowance for possible loan losses is maintained at a level deemed appropriate by management to provide adequately for known and inherent risks in the loan portfolio. When management determines that a loan will not perform substantially as agreed, a review of the loan is initiated to ascertain whether it is more likely than not that a loss has occurred. If it is determined that a loss is likely, the estimated amount of the loss is charged off and deducted from the allowance. The provision for possible loan losses and recoveries on loans previously charged off are added to the allowance. Determining the amount and adequacy of the allowance for loan losses involves estimating uncertain future events and their effects based on judgment applied to currently known facts and circumstances. Changes in the estimated allowance for loan losses necessitated as new events occur or more information is obtained are accounted for as changes in accounting estimates in the accounting period in which the change occurs.

Management considers the Company's historical loan loss experience, current national and local economic conditions affecting the borrowers' ability to repay, the volume of loans, the trends in delinquent, impaired and potential problem loans, and the amount and quality of collateral securing such loans in reviewing the adequacy of the allowance for loan losses. In calculating its estimate, management applies a consistent methodology that is updated quarterly. The calculation involves applying various estimated percentage factors to the loan portfolio categorized by purpose and type of underlying collateral and utilizing assessed risk grades from the Company's ongoing system of detailed loan reviews. For some loans, particularly those identified as impaired or potential problem, specific allocations are made in the calculation. The methodology also includes assessing the risk associated with off-balance-sheet extensions of credit such as loan commitments and standby letters of credit.

Premises and Equipment Premises and equipment are stated at cost, less accumulated depreciation. The provision for depreciation is computed predominantly using the straight-line method. Rates of depreciation are generally based on the following estimated useful lives: building - 31.5 years; furniture and equipment - 5 to 7 years. The cost of assets sold or otherwise disposed of, and the related allowance for depreciation is eliminated from the accounts and the resulting gains or losses are reflected in the consolidated income statement. Maintenance and repairs are charged to current expense as incurred and the costs of major renewals and improvements are capitalized.

Other Real Estate Other real estate includes properties acquired through foreclosure or acceptance of a deed in lieu of foreclosure. Other real estate is initially recorded at the lower of cost or the estimated fair market value, less estimated selling costs. Loan losses arising from the acquisition of such property are charged to the allowance for loan losses. An allowance for losses on other real estate is maintained for subsequent downward valuation adjustments. Gains or losses on other real estate sold, writedowns from subsequent reevaluation and other holding costs are charged to other operating expense as incurred.

Retirement Plan The Company has a salary reduction profit sharing plan pursuant to Section 401(k) of the Internal Revenue Code as more fully described in Note M. The Company does not sponsor any postretirement or postemployment benefits.

Deferred Income Taxes The Company uses an asset and liability approach for financial accounting and reporting of deferred income taxes. Deferred tax assets and liabilities are determined based on the difference between the financial statement and income tax bases of assets and liabilities as measured by the currently enacted tax rates which are assumed will be in effect when these differences reverse. If it is more likely than not that some portion or all of a deferred tax asset will not be realized, a valuation allowance is recognized. Deferred income tax expense or credit is the result of changes in deferred tax assets and liabilities.

Earnings Per Share Net income per share is calculated by dividing net income by the weighted average number of shares of the Company's common stock outstanding during the period. The Company has no dilutive potential common shares, stock options or warrants outstanding.

Comprehensive Income In June, 1997, the Financial Accounting Standards Board issued its Statement of Financial Accounting Standards ("SFAS") No. 130, "Reporting Comprehensive Income". As required, the Company adopted the provisions of this SFAS beginning January 1, 1998, with reclassifications included for any earlier comparative accounting periods presented. Comprehensive income consists of net income or loss for the current period and other comprehensive income, defined as income, expenses, gains and losses that bypass the consolidated statement of income and are reported directly in a separate component of shareholders' equity. SFAS No. 130 provides that the Company is to classify and report items of other comprehensive income by their nature, and report total comprehensive income in a financial statement and display the accumulated balance of other comprehensive income separately in the shareholders' equity section of the consolidated balance sheet.

The Company has elected to report comprehensive income in the accompanying consolidated statement of comprehensive income. The only other comprehensive income category the Company has is the change in unrealized holding gains and losses on available-for-sale securities, net of income tax effects, which had previously been accounted for only in the consolidated statement of changes in shareholders' equity. See Note J.

Consolidated Statement of Cash Flows The consolidated statement of cash flows reports net cash provided or used by operating, investing and financing activities and the net effect of those flows on cash and cash equivalents. Cash equivalents include amounts due from banks, federal funds sold and securities purchased under agreements to resell.

During 1998, 1997 and 1996, interest paid on deposits and other borrowings amounted to $1,773,402, $1,841,223 and $1,818,655, respectively. Income tax payments of $502,440, $426,056 and $522,880 were made during 1998, 1997 and 1996, respectively. Effective June 5, 1998, Clover Community Bankshares, Inc. acquired all of the then outstanding shares of Clover Community Bank's $5.00 par value common stock in exchange for shares of Clover Community Bankshares, Inc.'s $.01 par value common stock. As a result, a noncash transfer of $1,253,665 was made from common stock to capital surplus. During 1998, 1997 and 1996, noncash valuation adjustments totaling $69,285, $164,399 and $91,435 were made which decreased, increased and decreased, respectively, the carrying amount of available-for-sale securities. In 1998, accumulated other comprehensive income decreased $44,411 and deferred tax assets increased $24,874; in 1997, accumulated other comprehensive income increased $105,379 and deferred tax assets decreased $59,020; and in 1996, accumulated other comprehensive income decreased $58,610 and deferred tax assets increased $32,825. In 1996, a noncash transfer of $106,846 was made from loans to other real estate.

Fair Value Estimates Fair value estimates are made at a specific point in time based on relevant market information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Because no active trading market exists for a significant portion of the Company's financial instruments, fair value estimates are based on management's judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair value estimates are based on existing on and off-balance-sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. Significant assets and liabilities that are not considered financial assets or liabilities include net deferred tax assets and premises and equipment. In addition, the income tax ramifications related to the realization of unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in the estimates.

For cash and due from banks, interest-bearing deposits in other banks, federal funds sold, other investments, and accrued interest receivable and payable, the carrying amount approximates estimated fair value.

NOTE B - CORPORATE REORGANIZATION

Clover Community Bankshares, Inc. was incorporated on March 4, 1998 at the direction of Clover Community Bank's management. On April 20, 1998, the shareholders of Clover Community Bank approved a plan of corporate reorganization under which Clover Community Bank would become a wholly-owned subsidiary of Clover Community Bankshares, Inc. The authorized common stock of Clover Community Bankshares, Inc. is 10,000,000 shares with a par value of $.01 per share. Pursuant to the reorganization, which was effected on June 5, 1998, the parent company issued 1,011,020 shares of its common stock in exchange for all of the 1,011,020 then outstanding common shares of Clover Community Bank.

The reorganization was accounted for as if it were a pooling-of-interests. As a result, the consolidated financial statements for the year ended December 31, 1998 are presented as if the reorganization had occurred on January 1, 1998. The consolidated financial statements for the years ended December 31, 1997 and 1996 are unchanged from the amounts previously reported by Clover Community Bank. There have been no changes in earnings per share computations.

NOTE C - CASH AND DUE FROM BANKS

Banks are generally required by regulation to maintain an average cash reserve balance based on a percentage of deposits. The average amounts of the cash reserve balances at December 31, 1998 and 1997, were approximately $253,000 and $169,000, respectively.

NOTE D - SECURITIES

The aggregate amortized cost and estimated fair values of securities, as well as gross unrealized gains and losses of securities were as follows:

<TABLE>
<CAPTION>

	December 31, 1998				December 31, 1997			
	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value
Available-for-sale								
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
U.S. Treasury	$ 999,576	$ 2,299	$ -	$ 1,001,875	$ 996,908	$ 1,217	$ -	$ 998,125
U.S. Government agencies	2,956,378	23,439	312	2,979,505	2,955,519	24,495	2,078	2,977,936
State, county and municipal	5,079,713	118,158	-	5,197,871	4,107,940	80,380	-	4,188,320
Mortgage-backed securities ...	7,071,501	197,835	148,707	7,120,629	7,813,552	285,496	127,514	7,971,534
Total	$16,107,168	$341,731	$149,019	$16,299,880	$15,873,919	$391,588	$129,592	$16,135,915

</TABLE>

The amortized cost and estimated fair value of securities by contractual maturity are shown below:

<TABLE>
<CAPTION>

	December 31, 1998		December 31, 1997	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Available-for-sale				
<S>	<C>	<C>	<C>	<C>
Due in one year or less	$ 3,952,424	$ 3,958,478	$ 807,044	$ 808,473
Due after one through five years	1,589,098	1,625,561	4,958,373	4,981,242
Due after five through ten years	3,379,145	3,480,212	2,294,950	2,374,666
Due after ten years	115,000	115,000	-	-
	9,035,667	9,179,251	8,060,367	8,164,381
Mortgage-backed securities	7,071,501	7,120,629	7,813,552	7,971,534
Total	$16,107,168	$16,299,880	$15,873,919	$16,135,915

</TABLE>

The fair value of U.S. Treasury and U.S. Government agencies debt securities is estimated based on published closing quotations. The fair value of state, county and municipal securities is generally not available from published quotations; consequently, their fair value estimates are based on matrix pricing or quoted market prices of similar instruments adjusted for credit quality differences between the quoted instruments and the securities being valued. Fair value for mortgage-backed securities is estimated primarily using dealers' quotes.

There were no transfers to other categories of available-for-sale securities in 1998, 1997 and 1996. In 1996, a $64 loss was realized on a security sale with gross proceeds of $999,492.

At December 31, 1998 and 1997, securities with a carrying amount of $1,954,744 and $1,951,053, respectively, were pledged as collateral to secure public deposits.

As of December 31, 1998 and 1997, the Company had concentrated investments in state, county and municipal obligations secured by or payable from the same taxing authority or revenue source and that exceeded ten percent of shareholders' equity as follows:

<TABLE>
<CAPTION>

	December 31, 1998		December 31, 1997	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
<S>	<C>	<C>	<C>	<C>
Clover, S.C. School District (Moody's rating AA)	$750,000	$752,000	$1,276,329	$1,280,434
Fairfield County, S.C. School District (Moody's rating AAA)	686,000	689,000	704,106	711,079
Town of Clover, S.C. (Not rated)	945,000	945,000	-	-

</TABLE>

NOTE E - OTHER INVESTMENTS

Other investments consisted of:

<TABLE>
<CAPTION>

	December 31, 1998	December 31, 1997
<S>	<C>	<C>
Federal Home Loan Bank stock	$327,400	$327,400
Community Financial Services, Inc. stock	50,000	50,000
Total	$377,400	$377,400

</TABLE>

NOTE F - LOANS

Loans consisted of the following:

<TABLE>
<CAPTION>

	December 31, 1998		December 31, 1997	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<S>	<C>	<C>	<C>	<C>
Commercial and industrial	$ 4,540,039	$ 4,499,442	$ 5,611,469	$ 5,557,059
Real estate- construction	4,965,677	4,934,277	6,447,441	6,397,089
Real estate - mortgage	16,509,049	16,415,371	16,694,162	16,537,829
Consumer installment	3,128,003	3,096,106	3,163,234	3,134,512
Total	29,142,768	28,945,196	31,916,306	31,626,489
Less				
Allowance for loan losses	(265,149)	-	(272,096)	-
Deferred net loan fees	(27,955)	-	(30,191)	-

Loans - net	$ 28,849,664	$28,945,196	$ 31,614,019	$31,626,489

</TABLE>

Fair values are estimated for loan categories with similar financial characteristics. Within each category, the fair value of loans is calculated by discounting estimated cash flows through the estimated maturity using estimated market discount rates that reflect the credit and interest rate risk inherent in the loan. For certain categories of loans, such as variable rate loans, credit card receivables, and other lines of credit, the carrying amount, adjusted for credit risk, is a reasonable estimate of fair value because there is no contractual maturity or because the Company has the ability to reprice the loans as interest rate changes occur. Since the discount rates are based on current loan rates offered as well as management's estimates, the fair values presented may not necessarily be indicative of the value negotiated in an actual sale.

Loans which management has identified as impaired generally are nonperforming loans. Nonperforming loans include nonaccrual loans or loans which are 90 days or more delinquent as to principal or interest payments. Following is a summary of activity regarding the Company's impaired loans:

<TABLE>
<CAPTION>

	December 31, 1998	December 31, 1997
Investment in impaired loans		
Nonaccrual	$ 118	$70,143
Accruing 90 days and over past due	1,214	6,697
Total	$ 1,332	$76,840
Average total investment in impaired loans during the year	$25,250	$55,250
Allowance for loan losses on impaired loans	-	650

</TABLE>

The average total investment in impaired loans during 1996 was $38,891. There were no outstanding commitments at December 31, 1998, to lend additional funds to debtors owing amounts on impaired loans.

As of December 31, 1998 and 1997, there were no significant concentrations of credit risk in any single borrower or groups of borrowers. The Company's loan portfolio consists primarily of extensions of credit to businesses and individuals in its market area within York County, South Carolina. The economy of this area is diversified and does not depend on any one industry or group of related industries. Management has established loan policies and practices that include set limitations on loan-to-collateral value for different types of collateral, requirements for appraisals, obtaining and maintaining current credit and financial information on borrowers, and credit approvals.

Transactions in the allowance for loan losses are summarized below:

<TABLE>
<CAPTION>

	Years Ended December 31, 1998	1997	1996
Balance at January 1	$ 272,096	$ 270,393	$ 244,924
Provision charged to expense	-	5,000	31,500
Recoveries	2,650	7,092	3,893
Charge-offs	(9,597)	(10,389)	(9,924)
Balance at December 31	$ 265,149	$ 272,096	$ 270,393

</TABLE>

Certain officers and directors of the Company and its subsidiary, their immediate families and business interests were loan customers of, and had other transactions with the banking subsidiary in the normal course of business. Related party loans are made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than normal risk of collectibility. The aggregate dollar amount of these loans was $1,495,770 and $2,187,683 at December 31, 1998 and 1997, respectively. During 1998, $571,459 of new loans were made and repayments totaled $1,263,372.

NOTE G - PREMISES AND EQUIPMENT

Premises and equipment consisted of the following:

<TABLE>
<CAPTION>

	Cost	Accumulated Depreciation and Amortization	Book Value
December 31, 1998			
<S>	<C>	<C>	<C>
Land	$ 88,030	$ -	$ 88,030
Buildings and land improvements	563,459	208,226	355,233
Furniture and equipment	996,533	724,164	272,369
Total	$1,648,022	$932,390	$715,632
December 31, 1997			
Land	$ 88,030	$ -	$ 88,030
Buildings and land improvements	563,459	188,495	374,964
Furniture and equipment	930,850	634,111	296,739
Total	$1,582,339	$822,606	$759,733

</TABLE>

Depreciation expense for the years ended December 31, 1998, 1997 and 1996 was $119,406, $114,672 and $95,476, respectively.

NOTE H - DEPOSITS

A summary of deposits follows:

<TABLE>
<CAPTION>

	December 31,			
	1998		1997	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<S>	<C>	<C>	<C>	<C>
Noninterest bearing demand	$ 3,962,262	$ 3,962,262	$ 3,890,742	$ 3,890,742
Interest bearing transaction accounts	13,844,565	13,844,565	12,294,040	12,294,040
Savings	2,563,252	2,563,252	2,439,481	2,439,481
Time deposits $100,000 and over	5,689,420	5,729,557	4,252,562	4,269,085
Other time deposits	19,547,136	19,583,041	19,091,547	19,098,196
Total deposits	$45,606,635	$45,682,677	$41,968,372	$41,991,544

</TABLE>

The fair value of deposits with no stated maturity (noninterest bearing demand, interest bearing transaction accounts and savings) is equal to the amount payable on demand, or carrying amount, as of December 31, 1998 and 1997. The fair value of time deposits is estimated based on the discounted value of contractual cash flows. The discount rate is estimated using the rate currently offered as of December, 31, 1998 and 1997, for deposits of similar remaining maturities.

At December 31, 1998, the scheduled maturities of time deposits were as follows:

Year	Amount
1999	$ 18,326,541
2000	6,460,278
2001	287,562
2002	152,003
2003 and thereafter	10,172

NOTE I - LONG-TERM DEBT

Long-term debt at December 31, 1998 and 1997 consisted of a $4,000,000 note issued by the Bank to the Federal Home Loan Bank of Atlanta (the "FHLB"). The note is due on November 28, 2000, and has a variable interest rate which was 5.69% at the end of 1998 and 6.04% at the end of 1997. The note is secured by a lien on all of the Bank's 1-4 family residential first lien mortgage loans which had a carrying value of approximately $10,344,000 as of December 31, 1998. The Bank has an additional long-term debt availability of approximately $3,881,000 from the FHLB that had not been drawn at December 31, 1998.

The fair value of the variable rate long-term debt is estimated at the carrying amount because the interest rate associated with such debt reprices immediately with changes in the lender's program rate, and management is not aware of any significant change in the credit risk associated with the debt.

NOTE J - SHAREHOLDERS' EQUITY

Restrictions on Subsidiary Dividends, Loans or Advances South Carolina regulations restrict the amount of dividends that banks can pay to shareholders. All of the Bank's dividends to the parent company are subject to the prior approval of the South Carolina Commissioner of Banking and are generally payable only from its undivided profits. At December 31, 1998, the Bank's undivided profits totaled $3,003,667. Under Federal Reserve Board regulations, the amounts of loans or advances from the banking subsidiary to the parent company are also restricted.

Accumulated Other Comprehensive Income As of December 31, 1998 and 1997, accumulated other comprehensive income included as an increase in shareholders' equity in the accompanying consolidated balance sheet consisted of the accumulated changes in the unrealized holding gains and losses on available-for-sale securities amounting to $123,528 and $167,939, respectively.

Regulatory Capital All bank holding companies and banks 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 Company's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, bank holding companies and banks must meet specific capital guidelines that involve quantitative measures of their assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. Capital amounts and classification are 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 Company and its banking subsidiary to maintain minimum amounts and ratios set forth in the table below of Total and Tier 1 Capital, as defined in the regulations, to risk weighted assets, as defined, and of Tier 1 Capital, as defined, to average assets, as defined. Management believes, as of December 31, 1998 and 1997, that the Company and its subsidiary bank exceeded all capital adequacy minimum requirements.

As of December 31, 1998, the most recent notification from the FDIC categorized Clover Community Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Company and its banking subsidiary must maintain minimum Total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed Clover Community Bank's category. The Company's and Clover Community Bank's actual capital amounts and ratios are also presented in the table.

<TABLE>
<CAPTION>

	Actual		Minimum for Capital Adequacy		Minimum to be Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 1998			(Dollars in thousands)			
The Company						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Total Capital to risk weighted assets	$7,063	21.3%	$2,657	8.0%	$3,321	10.0%
Tier 1 Capital to risk weighted assets	$6,798	20.5%	$1,328	4.0%	$1,992	6.0%
Tier 1 Capital to average assets (leverage)	$6,798	11.9%	$1,717	3.0%	$2,862	5.0%
Clover Community Bank						
Total Capital to risk weighted assets	$6,603	19.9%	$2,657	8.0%	$3,321	10.0%
Tier 1 Capital to risk weighted assets	$6,338	19.1%	$1,328	4.0%	$1,992	6.0%
Tier 1 Capital to average assets (leverage)	$6,338	11.1%	$1,717	3.0%	$2,862	5.0%

December 31, 1997

Clover Community Bank						
Total Capital to risk weighted assets	$6,645	19.3%	$2,753	8.0%	$3,441	10.0%
Tier 1 Capital to risk weighted assets	$6,373	18.5%	$1,376	4.0%	$2,065	6.0%
Tier 1 Capital to average assets (leverage)	$6,373	12.1%	$1,585	3.0%	$2,642	5.0%

</TABLE>

NOTE K - OTHER EXPENSES

Other expenses are summarized below:

<TABLE>
<CAPTION>

	Years Ended December 31,		
	1998	1997	1996
<S>	<C>	<C>	<C>
Salaries and employee benefits	$ 791,958	$ 757,882	$ 723,810
Net occupancy expense	65,083	48,091	56,661
Furniture and equipment expense	206,186	200,247	136,095
Other expense			
Stationery, printing and postage	96,286	84,725	85,474
Telephone	15,707	11,735	12,064
Advertising and promotion	8,613	9,667	9,003
Professional services	88,540	50,636	47,578
Insurance	11,266	11,858	11,513
FDIC insurance assessment	3,824	5,313	2,291
Directors' fees	33,600	31,200	28,800
Data processing expenses	46,295	42,985	40,524
Other	141,254	120,631	96,094
Total	$ 1,508,612	$ 1,374,970	$ 1,249,907

</TABLE>

NOTE L - INCOME TAXES

Income tax expense consisted of:

<TABLE>
<CAPTION>

	Years Ended December 31,		
	1998	1997	1996
Current			
<S>	<C>	<C>	<C>
Federal	$ 449,969	$ 361,308	$ 375,055
State	46,977	38,270	37,831
Total current	496,946	399,578	412,886
Deferred			
Federal	(35,215)	30,173	(34,443)
State	(3,071)	2,631	(3,003)
Total deferred	(38,286)	32,804	(37,446)
Total income tax expense	$ 458,660	$ 432,382	$ 375,440

</TABLE>

Income before income taxes presented in the consolidated statement of income for the years ended December 31, 1998, 1997 and 1996 included no foreign component. A reconciliation between the income tax expense and the amount computed by applying the federal statutory rate of 34% to income before income taxes follows:

<TABLE>
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	Years Ended December 31,		
	1998	1997	1996
<S>	<C>	<C>	<C>
Tax expense at statutory rate	$ 472,604	$ 454,103	$ 401,005
State income tax, net of federal			

income tax benefit	28,977	26,995	22,986
Tax-exempt interest income	(64,778)	(61,020)	(46,840)
Non-deductible interest expense to carry tax-exempt instruments	9,408	9,762	9,031
Non-deductible corporate reorganization expenses	11,513	-	-
Other, net	936	2,542	(10,742)
Total	$ 458,660	$ 432,382	$ 375,440

</TABLE>

Deferred tax assets and liabilities included in the consolidated balance sheet consisted of the following:

<TABLE>
<CAPTION>

	December 31,	
	1998	1997
Deferred tax assets		
Allowance for loan losses	$ 69,319	$ 71,813
Net deferred loan fees	10,036	10,839
Accrued interest payable	140,959	126,133
Gross deferred tax assets	220,314	208,785
Valuation allowance	-	-
Total	220,314	208,785
Deferred tax liabilities		
Accrued interest receivable	86,497	101,221
Prepaid expenses	29,556	41,724
Accelerated depreciation	19,006	18,843
Unrealized holding gains and losses on available-for-sale securities	69,183	94,057
Other	1,265	1,293
Gross deferred tax liabilities	205,507	257,138
Net deferred income tax assets (liabilities)	$ 14,807	$ (48,353)

</TABLE>

A portion of the change in net deferred tax assets or liabilities related to unrealized holding gains and losses on available-for-sale securities is charged or credited directly to other comprehensive income. The balance of the change in net deferred tax assets is charged or credited to income tax expense. In 1998, 1997 and 1996, $24,874 was credited, $59,020 was charged, and $32,825 was credited to other comprehensive income, respectively. In 1998, 1997 and 1996, $38,286 was credited, $32,804 was charged and $37,446 was credited to income tax expense, respectively.

Management believes that the Company will fully realize the deferred tax assets as of December 31, 1998 and 1997 based on refundable income taxes available from carryback years, as well as estimates of future taxable income.

NOTE M - RETIREMENT PLAN

In 1993, the Company established the Clover Community Bank Employees' Retirement Savings Plan (the "Plan") for the exclusive benefit of all eligible employees and their beneficiaries. Employees are eligible to participate in the Plan after attaining age 21 and completing twelve months of service, and are credited with at least 1000 hours of service during the eligibility computation period. Employees are allowed to defer their salary up to the maximum dollar amount determined by federal government laws and regulations each year. The Company matches $.50 for each dollar contributed by the employees up to 6% of their total pay. The Board of Directors can also elect to make discretionary contributions. Employees are fully vested in both the matching and any discretionary contributions after six years of service. The employer contributions to the plan for 1998, 1997 and 1996 totaled $15,228, $16,681 and $14,309, respectively.

NOTE N - COMMITMENTS AND CONTINGENCIES

Commitments to Extend Credit In the normal course of business, the banking subsidiary is party to financial instruments with off-balance-sheet risk. These financial instruments include commitments to extend credit and standby letters of credit, and 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:

	December 31, 1998	December 31, 1997
Loan commitments	$ 5,471,229	$ 5,687,350
Standby letters of credit	62,075	30,500

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 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.

The estimated fair values of off-balance-sheet financial instruments such as loan commitments and standby letters of credit are generally based upon fees charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' creditworthiness. The vast majority of the banking subsidiary's loan commitments do not involve the charging of a fee, and fees associated with outstanding standby letters of credit are not material. Therefore, as of December 31, 1998 and 1997, the estimated fair values of these off-balance-sheet financial instruments is nominal. For loan commitments and standby letters of credit, the committed interest rates are either variable or approximate current interest rates offered for similar commitments. Management is not aware of any significant change in the credit risk associated with these commitments.

Short-term Borrowing Commitments At December 31, 1998, the banking subsidiary had unused short-term lines of credit to purchase up to $2,250,000 in federal funds from correspondent financial institutions. One line for $1,500,000 expires October 1, 1999, and the remaining $750,000 may be withdrawn at the option of the lender.

Litigation The Company and its subsidiary were not involved as defendants in any litigation at December 31, 1998. Management is not aware of any pending or threatened litigation, or unasserted claims or assessments that are expected to result in losses, if any, that would be material to the consolidated financial statements.

Accounting Estimates In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates. Material estimates that are particularly susceptible to significant change in the near-term relate to the determination of the allowance for loan losses. In connection with the determination of the allowance for loan losses, management has identified specific loans as well as adopting a policy of providing amounts for loan valuation purposes which are not identified with any specific loans but are derived from actual loss experience ratios, loan types, loan volume, economic conditions and industry standards.

Management believes that the allowance for loan losses is adequate. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the banking subsidiary's allowance for loan losses. Such agencies may require the recognition of additions to the allowance based on their judgments about information available to them at the time of their examination.

Year 2000 Readiness Management believes that the Company is presently on schedule in implementing its Y2K Preparedness Plan. The plan has five phases: (1) Awareness, (2) Assessment, (3) Renovation, (4) Validation, and (5) Implementation. The awareness and assessment phases have been substantially completed as of December 31, 1998. These phases included the identification of critical systems and equipment potentially vulnerable to the year 2000 problem as well as the identification of significant loan customers whose businesses could possibly be adversely affected by the problem and communication with them about their progress in addressing the Year 2000 changeover. The renovation phase, consisting of upgrading or replacing systems and equipment, had also been largely completed by the end of 1998. The validation portion of the plan calls for the actual testing of systems and equipment as of certain critical dates with such testing to be completed by June 30, 1999. This testing is presently on schedule with no major problems encountered. Finally, the implementation phase, which requires addressing any problems encountered in the validation phase, along with continued review and assessment of the Company's systems and equipment, is presently underway and will continue until the year 2000 has arrived.

Management is of the opinion that the Company's systems and equipment will be ready for the Year 2000 in a timely manner without any material adverse effect on the Company's business. Because of the planned comprehensive computer hardware and software upgrade begun in 1995 and completed in 1996, the Company has incurred no material expenditures in 1998 or 1997 relating directly to the Year 2000 problem. The new components, which were largely Year 2000 compliant when installed, were acquired in the normal course of business to upgrade the Bank's computer capabilities. The previous system was over seven years old and was becoming functionally obsolete. The Company has been able to use existing internal personnel and resources to carry out its Y2K Preparedness Plan, and has used few outside resources that would incur significant additional costs. Management is not aware of any material future expenditures required to complete its preparedness plan.

NOTE O - FAIR VALUE OF FINANCIAL INSTRUMENTS

Following is summary information on the estimated fair value of financial instruments, cross referenced to the location in the consolidated financial statements and notes where more detailed information can be obtained:

<TABLE>
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	December 31, 1998		1997	
	Carrying Amount of Assets (Liabilities)	Estimated Fair Value of Assets (Liabilities)	Carrying Amount of Assets (Liabilities)	Estimated Fair Value of Assets (Liabilities)
<S>	<C>	<C>	<C>	<C>
Cash and due from banks (Note A)	$ 1,727,391	$ 1,727,391	$ 1,450,549	$ 1,450,549
Interest-bearing deposits in other banks (Note A)	320,267	320,267	440,602	440,602
Federal funds sold (Note A)	8,070,000	8,070,000	1,535,000	1,535,000
Securities (Note C)	16,299,880	16,299,880	16,135,915	16,135,915
Other investments (Notes A and E)	377,400	377,400	377,400	377,400
Loans (Note E)	28,849,664	28,945,196	31,614,019	31,626,489
Accrued interest receivable (Note A)	316,239	316,239	344,590	344,590
Deposits (Note H)	(45,606,635)	(45,682,677)	(41,968,372)	(41,991,544)
Long-term debt (Note I)	(4,000,000)	(4,000,000)	(4,000,000)	(4,000,000)
Accrued interest payable (Note A)	(392,644)	(392,644)	(351,346)	(351,346)
Loan commitments (Note N)		(5,471,229)		(5,687,350)
Standby letters of credit (Note N)		(62,075)		(30,500)

</TABLE>

NOTE P - CLOVER COMMUNITY BANKSHARES, INC. (PARENT COMPANY ONLY)

<TABLE>
<CAPTION>

	December 31, 1998
Condensed Balance Sheet	
Assets	
<S>	<C>
Cash	$ 457,645
Investment in banking subsidiary	6,461,466
Other assets	2,887
Total assets	$6,921,998

Liabilities	
Other liabilities	$ -
Shareholders' equity	6,921,998
Total liabilities and shareholders' equity	$6,921,998

</TABLE>

<TABLE>
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	Year Ended December 31, 1998
Condensed Statement of Income	
Income	
Dividends received from banking subsidiary	$ 1,005,510
Interest income	2,319
Total income	1,007,829
Expenses	
Interest expense	-
Other expenses	44,674
Total expenses	44,674
Income before income taxes and equity in undistributed earnings of banking subsidiary	963,155
Income tax expense (credit)	(2,887)
Equity in undistributed earnings of banking subsidiary	(34,691)
Net income	$ 931,351

</TABLE>

<TABLE>
<CAPTION>

	Year Ended December 31, 1998
Condensed Statement of Comprehensive Income	
Net income	$ 931,351
Equity in other comprehensive income (loss) of banking subsidiary	(44,411)
Comprehensive income	$ 886,940

</TABLE>

<TABLE>
<CAPTION>

	Year Ended December 31, 1998
Condensed Statement of Cash Flows	
Operating activities	
Net income	$ 931,351
Adjustments to reconcile net income to net cash provided by operating activities	
Equity in undistributed earnings of banking subsidiary	34,691
Increase in other assets	(2,887)
Net cash provided by operating activities	963,155
Financing activities	
Cash dividends paid	(505,510)
Net cash provided by financing activities	(505,510)
Increase in cash and cash equivalents	457,645
Cash and cash equivalents, beginning	-
Cash and cash equivalents, ending	$ 457,645

</TABLE>

Exhibit 21

Subsidiaries of the Registrant

Clover Community Bank

INDEPENDENT AUDITORS' CONSENT

Board of Directors
Clover Community Bankshares, Inc.

We consent to the incorporation by reference in Clover Community Bankshares, Inc.'s Registration Statement on Form S-3 (No. 333-71777), relating to the registration of up to 50,000 shares of its common stock for issuance pursuant to the Clover Community Bankshares, Inc. Dividend Reinvestment Plan, of our report dated January 22, 1999, which is included in Clover Community Bankshares, Inc.'s Annual Report on Form 10-KSB for the year ended December 31, 1998.

Donald G. Jones and Company, P.A.

Columbia, South Carolina
March 19, 1999

```
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Consolidated  Balance Sheet at December 31, 1998 and the Consolidated  Statement
of Income for the year ended December 31, 1998 and is qualified in its entirety
by reference to such financial statements.
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