

Uwharrie Capital Corp

Making a Difference



Building Local Economies One Community At A Time

2008 Summary Annual Report



Table of Contents

Letter to Shareholders	1
Boards of Directors	4
Corporate Profile	7
Financial Review	12
Associates	16
Community Investment	17
Locations	18
Closing Thoughts	20

Annual Meeting of Shareholders
Stanly County Agri-Civic Center
Albemarle, NC
May 12, 2009

Letter to Shareholders

Dear Shareholders:

By formal definition, a business model is a means by which an organization generates revenue and profit. Since our inception, we have found the most significant way to produce these results is through our guiding principle of putting the needs of the community and our marketplace first. As a community banking organization, we are embedded in the well-being of our communities. Therefore, if we do our job well, we will *make a difference* in the communities we serve. A strong, self-reliant local economy will return a quality of life based on old-fashioned values, where neighbors care for each other and our children and our children's children can feel financially secure and enjoy the blessings and contentment that allow them to maintain quality of life and dignity.

Twenty-five years ago, when we set out to build a bank, our goal was to build our community. We saw that the trends and economic restructuring taking place shifted away from the traditional jobs and industries that had been our mainstay for much of the 20th century. The employment base in which we were immersed was diminishing and being lost to a global economy. Globalization, world competition and gargantuan corporations have ravaged the traditional economic system that had sustained us for nearly a century. We are in a period of historic economic transformation and realize that the 20th century economic model is no longer viable and has left us with more poverty than prosperity.

True development depends on people's ability to gain control of and use real resources of their localities - land, water, labor, technology and human skills and talents to meet their own needs. The most pressing needs of the world's people are food, shelter, clothing and healthcare. The soils upon which we depend for food are being depleted faster than nature can regenerate them and water shortages have become pervasive, not simply because of temporary droughts but also from depleted water tables and rivers taxed beyond their ability to regenerate. We have already witnessed, first hand, how our neighbors in communities within our own markets have suffered from the effects of restricted water supply. Solutions are achievable but they require local action - household by household and community by community.

Uwharrie Capital Corp, as an economic engine, puts capital in the hands of local people and remains committed to reclaiming our local economics. Unfortunately, in our modern world, control seldom rests with local people. More often, it resides with conventional establishments or with distant corporations that lack the capacity or incentive to deal with local needs. We create local economics and

We Promise!

Our companies are community focused, with an emphasis on local decision-making and strong community support. We remain committed to the well being of our communities by delivering products and services with the best interests of our customers in mind. Community banking is all about customer relationships. People do business with people. We continually work to enhance our product line to attract new relationships and provide all the conveniences that our customers expect, but our primary focus is about building sustainable, self-reliant economies for our communities.

We are large enough to offer a full range of competitive products and services - from personal banking to commercial lending, wealth and risk management - and small enough to provide exceptional personal service on an individual basis that meets or exceeds our customers' expectations.



control by supporting and putting capital in the hands of local owner-manager enterprises located in the communities where they reside. They share in the community's values and have a personal stake in its future and by doing so, are creating community wealth.

We have often stated that your Company is positioned for solid long-term growth. We have created an entity through which the people of this region can exercise control over capital and the future development of our local communities. With this strategy, we are able to enhance relationships and provide long-term value to our shareholders. Uwharrie Capital Corp and its subsidiaries are about helping local citizens and business entities within our communities. We currently serve the financial needs of close to 16,000 households in Anson, Cabarrus and Stanly counties by concentrating on the markets we know and providing the services and advice our customers need.

Growth for growth's sake has never been our goal, yet your Company experienced solid financial results for 2008. This is evidenced by the significant increase in total assets to

\$452 million, while deposits grew to \$353 million and loans increased to \$341 million. Net income for the year 2008 was \$2 million, which represents a decrease from the prior year, that is primarily due to the provision for loan loss. In 2008 we funded the loan loss provision as a precautionary measure as the uncertainties of the current economic conditions are still unfolding. Non-interest income hit another all-time high at \$6.7 million due primarily to significant activity in the mortgage area, combined with revenue generated from our wealth management efforts. Particularly in light of the present economic condition, we are pleased with these results and we are confident that our solid growth strategies have positioned us for long-term sustainable growth.

Together, we can create this future that leaves a legacy of hope, confidence and sufficient financial resources that places the control of our destiny back in the hands of the people. As we continue to embrace our vision of *making a difference*, we remain even more committed to this region, its people and this land we call home.

Sincerely,

UWHARRIE CAPITAL CORP



Roger L. Dick
President and Chief Executive Officer



Roger L. Dick, President and Chief Executive Officer
and Brendan P. Duffey, Chief Operating Officer

In 2008, a group of our young adult associates initiated a grass roots effort to increase awareness about the power of shopping local. Consistent with our corporate mission of *making a difference*, "Shop Local" has become the battle cry in support of keeping local dollars working here at home with businesses in our communities. For every \$1 spent with a local merchant, local jobs are created for our friends, our neighbors and ourselves, better education opportunities are available for our children and our local economies are strengthened. By shopping local, we can ensure the prosperity and long term well-being of our communities and we solidify our commitment to the citizens and local businesses of our communities.

www.2shoplocal.com

Shop Local

We recognize that we cannot have a healthy and growing business unless the communities we serve are sustainable themselves. Your Company, its directors and associates are actively engaged in activities that build and help our communities become sustainable for the future. While there are many possible examples, the ones discussed here are only three instances of how the powerful collaboration of local capital and entrepreneurship is creating jobs and re-starting economies in the markets we serve.



God's Country Outfitters
Albemarle, North Carolina
Outfitter and Retail



God's Country is more than a store ... Since 2001, God's Country Outfitters has served the high adventure needs of hundreds of groups from across the Southeast. GCO offers fully outfitted

high adventure experiences in the beautiful Uwharrie Mountains and the Uwharrie National Forest. The most popular adventure package, the Survivor Challenge, is the team building and leadership development program. Individual activities include rappelling, kayaking, canoeing, horseback riding, paintball, backpacking, outfitted camping, adventure racing, mountain biking and more.

To expose outdoor adventure seekers to the truth that ... "From the creation of the world His invisible attributes, His eternal power, and divine nature, have been clearly seen, being understood through what He has made (Romans 1:20)..." in God's Country.



www.godscountryoutfitters.org

New Ventures Business Development, Inc

Wadesboro, North Carolina



New Ventures Business Development, Inc., a 501(c)(3) nonprofit corporation, is one of seven Business and Technology TeleCenters in North Carolina that was established under the e-NC Authority. The centers support economic development in rural counties by providing resources for new business start-ups and improving existing businesses and by infusing technology into business operations. Through outreach, New Ventures identifies small business entrepreneurs, then identifies or develops resources to remove any obstacles between the entrepreneur and success.

ebizAnson.org is an e-commerce website powered by the artisans, craftsmen and merchants of Anson County, North Carolina. On the site you will find acclaimed artistic works, quality crafts and select merchandise for sale. The products offered are constantly changing so customers come back often to see what's new. The purpose is to support, preserve and celebrate authentic culture, history and commerce through the handmade products of Anson County citizens.



www.nvbdi.org

The Bead Lady

Concord, North Carolina

If you are looking for an exciting gathering place filled with unique gift shops, antique stores, fine jewelry, clothing and diverse restaurants, Downtown Concord awaits you. Recognizing that a vital



downtown is essential to the continued growth of a city, Concord has maintained the historic character of a downtown while providing a cultural and visual experience for all ages.

Downtown has experienced a number of business expansions and many new business ventures. Contributing to the vitality of downtown, The Bead Lady is a full-service store specializing in stones and beads to handcraft necklaces, bracelets and watches. Kathleen Reeder has steadily built her business by carrying unique items, providing great customer service and hosting parties and classroom opportunities for people to learn about beading. The Bead Lady offers an exceptional selection and a one of a kind experience that is certainly a change of pace from the ordinary. This is an excellent example of how a renovated and restored storefront can be used to stimulate long-term economic growth and pride in the heart of the community. Located in Concord's central business district, The Bead Lady represents the diverse and thriving downtown shopping experience.



www.thebeadladyinconcord.com

BOARDS OF DIRECTORS

Uwharrie Capital Corp

A fundamental element of Uwharrie Capital Corp's strategy is the role of our community directors. We believe that a deep understanding and a close relationship with the communities we serve can be achieved only when we are interwoven in the fabric of the markets we serve. Local civic and business leaders, serving as directors, provide the insight to local needs that ensure Uwharrie Capital Corp and its subsidiaries deliver on the promise of *making a difference*.



JOE S. BROOKS
Owner & Manager
Brothers Precision Tool
Company



RONALD T. BURLESON
Partner
Thurman Burleson &
Sons Farm



HENRY E. FARMER, SR.
Retired - President & Owner
Henry E. Farmer, Inc.



CHARLES F. "TAD"
GESCHICKTER, III
President & CEO,
ST Motorsports, Inc.;
JTG Racing, Inc.



THOMAS M. HEARNE, JR.
Geopavement Engineer
North Carolina Department
of Transportation



CHARLES D. HORNE
President
Hornwood, Inc.



JOSEPH R. KLUTTZ, JR.
President
Albemarle Insurance
Agency, Inc.



W. CHESTER LOWDER
Director of Livestock
Program, Public Policy
Division, North Carolina
Farm Bureau Federation, Inc.



BARRY S. MOOSE
Division Engineer
North Carolina Department
of Transportation



JAMES E. NANCE
President
Confederate Motors, Inc.



EMMETT S. PATTERSON
Retired - General Manager &
Executive Vice President
Pee Dee Electric Membership
Corporation



TIMOTHY J. PROPST
Executive Vice President
Propst Construction
Company, Inc.



SUSAN J. ROURKE
President & Owner
U.S. Land Management Co.



DONALD P.
SCARBOROUGH
- Vice Chairman
President & Owner
Plank Road Realty, Inc.



JOHN W. SHEALY, JR.
President
Capital Concrete Co.



MICHAEL E. SNYDER, SR.
- Chairman
Vice President
EJS & Sons, LLC



DOUGLAS L. STAFFORD
Partner
Griffin Stafford, LLC



EMILY M. THOMAS
Vice President
Administration & Finance
CMH Flooring Products, Inc.

Bank of Stanly



Standing, left to right:

JIMMY C. HUNEYCUTT
Owner
J. Huneycutt Co., LLC

RAYMOND R. CRANFORD, JR.
Vice President - Sales
Crook Motor Co., Inc.

B. A. SMITH, JR.
Retired - Pilot & Base
Commander
United States Air Force

MICHAEL P. LATON, SR.
President
Custom Doors, Inc.

KELLEY S. HUFF
President & Owner
Richfield Child Development
Center

ROGER L. DICK
President &
Chief Executive Officer
Uwharrie Capital Corp

MARK W. MABRY
President & Owner
Mabry Insurance

W. STEPHEN ALDRIDGE, III
President
Stanly Funeral Home, Inc.

Seated, left to right:

ANITA E. BLAIR
Associate
Beane Swaringen & Co., PLLC

JERRY J. LONG - Chairman
President, Secretary & Co-Owner
Long's Diamond Broker

DUSTY W. WEST
- Vice Chairman
President & Owner
Dean's Ready Mixed, Inc.

NADINE B. BOWERS
Retired - Strategic
Investment Advisors, Inc.,
and Bank of Stanly

Anson Bank & Trust



Left to right:

ROGER L. DICK
President &
Chief Executive Officer
Uwharrie Capital Corp

EMMETT S. PATTERSON
Retired - General Manager &
Executive Vice President
Pee Dee Electric Membership
Corporation

TARA G. EUDY
President & Treasurer
Carolina Title Company, Inc.

W. KENNETH HUNTLEY
- Chairman
President & Owner
Huntley Oil & Gas Company, Inc.

LEE ROY LOOKABILL, JR.
President
Anson Real Estate and
Insurance Company, Inc.

CHARLES D. HORNE
President
Hornwood, Inc.

HARVEY H. LEAVITT, III
Owner
Leavitt Funeral Home

THOMAS W. HOUGH
President & Owner
Anson Pharmacy, Inc.

JARVIS T. WOODBURN
General Manager
Coffing Hoists Company

EMILY M. THOMAS
Vice President
Administration & Finance
CMH Flooring Products, Inc.

CHRISTOPHER M. SANFORD
Vice President & Owner
Wadesboro IGA Foodliner

ALThERIA S. PATTON, Ph.D.
Retired - Assistant Superintendent
Anson County Schools

DONALD P. SCARBOROUGH
President & Owner
Plank Road Realty, Inc.

JIMMY L. STRAYHORN
President &
Chief Executive Officer
Anson Bank & Trust Co.

Cabarrus Bank & Trust



Left to right:

DOUGLAS L. STAFFORD
- Chairman

Partner
Griffin Stafford, LLC

JOHN W. SHEALY, JR.
President
Capital Concrete Co.

LEONARD B.
SOSSAMON, JR.
Chief Operating Officer &
Executive Vice President
Alliance Development
Group, LLC

L. ALLEN DOBSON, JR., MD
Clinical Practice Development
Carolinas Health Care

CHRISTOPHER L. BRAMLETT, Ph.D.
Retired - President & Owner
Christopher's Jewelers Co., Inc.

SUSAN J. ROURKE
President & Owner
U. S. Land Management Co.

ESTUS B. WHITE
Retired - Clerk of Superior Court
Cabarrus County

SUSAN J. SMITH
Advisor
Rowan-Cabarrus Community College

FRANK A. RANKIN, III
President
Concord Engineering &
Surveying, Inc.

EDWARD B. TYSON
Retired - Superintendent
Kannapolis City Schools

VERNON A. RUSSELL
Attorney
Plummer, Russell and Plummer, PLLC

ANITA A. BROWN
Retired - Chancellor, Cabarrus College of
Health Sciences; Carolinas Medical Center -
NorthEast

TIMOTHY J. PROPST
Executive Vice President
Propst Construction Company, Inc.

CYNTHIA L. MYNATT
- Vice Chairman
President
Ben Mynatt Pontiac-Buick-GMC Truck, Inc.

ROGER L. DICK
President &
Chief Executive Officer
Uwharrie Capital Corp

We are all connected and dependent on each other. We remain committed to create and deliver value to all of our stakeholders: our shareholders, our customers, our associates and the communities we serve.

In Remembrance ...



John P. Murray, M.D.

During 2008, we were saddened by the passing of two directors from our boards. Dr. John P. Murray and Henry (Punky) Morton made extraordinary contributions to our Company and our communities. They will long be remembered as outstanding leaders and humanitarians. Both gentlemen served our organization with honor and distinction and we gratefully acknowledge their years of steadfast leadership.



Henry H. Morton

Corporate Profile

Uwharrie Capital Corp's commitment to the community is unwavering as is our philosophy of putting the customer first. The combined strength of our companies allows us to offer a wide array of products and services and our community focus enables us to provide quick decisions, flexibility and enhanced personal attention in all the markets we serve. Our "people first" philosophy means you can count on us to provide the highest quality financial services that solve problems and meet the needs of families and businesses in a highly personalized manner. Our commitment to serve our customers and communities has not only proven to be a winning strategy that enhances our customer relationships, but also provides long-term value to our shareholders. This approach to doing business has resulted in continued growth for all our companies and continues to reinforce our community banking philosophy.

Uwharrie Capital Corp

Making a Difference

Our four major business groups – Corporate Banking, Personal Banking, Convenience Banking and Wealth Management – have a developed and successful core strategy of building deep, long-term customer relationships in which we are a trusted advisor and primary banking partner. Our companies are community focused, with an emphasis on local decision-making and strong community support. We focus on the well being of our communities, delivering products and services with the best interest of our customers in mind.



Bank of Stanly

www.BankofStanly.com

**ANSON
BANK & TRUST**

www.AnsonBankandTrust.com



Cabarrus Bank & Trust

www.CabarrusBankandTrust.com

STRATEGIC
INVESTMENT ADVISORS, INC.

www.StrategicInvestmentAdvisors.com

Corporate Banking

Local and family-owned businesses are especially attracted to our community banking philosophy because we combine responsiveness with a consultative approach to serving their financial needs.

Ideas, visions and goals are not words commonly heard in the banking world but they are what an entrepreneur can achieve when backed by a sound plan and supported by a bank committed to turning aspirations into reality. We approach corporate banking differently. As we continue to transition away from a traditional manufacturing and agriculture financial system, we are positioned to provide the capital and expertise to help create a new economy: one that balances our natural resources with sustainable development, creates jobs and rejuvenates our communities. Because of our lush natural resources and strength of cooperative spirit innate to North Carolinians, the recreation and tourism sector holds the promise of providing enormous economic impact. Taking the steps toward our sustainable 21st century economy requires vision, optimism and hope and our goal is to participate. Being a resource for local and family-owned businesses, we offer a wide range of products and services to provide capital for a start-up or to finance growth and expansion. Well-structured commercial loan and deposit services, combined with an extraordinary level of personal attention allow us to look at corporate banking differently.

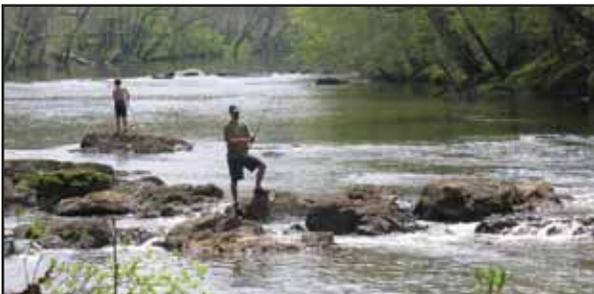


Personal Banking

We take retail banking very personally. We work hard to exceed our customers' expectations and we are committed to providing superior and convenient customer service. We always want to do what is in the best interest of our customers.

Relationship banking is our overarching strategy and primary engine for continued growth. We build these relationships through a commitment to delivering extraordinary service – one customer at a time. Our customer-focused culture continues to be an increasingly important differentiator in communities we serve, the places we call home.

Building on the trust we have earned through our established corporate banking relationships, we want to be the bank of choice for the employees of those businesses. Through our *Bank@Work* program, business owners have a convenient way to provide additional benefits to their employees and individual employees enjoy the convenience of our relationship suite of services. We build lasting relationships on the fact that we work with each of our customers on an individual basis and our service sets us apart. We operate in an environment where customer service is and always will be number one; it's finding ways to make each customer feel extremely well cared for each time they bank with us. Our bankers are deeply committed to meeting our customers' needs and building relationships.



Convenience Banking



As businesses and individuals have become more technologically savvy, we have remained committed to working vigorously to meet our customers' current and future technological requirements. We have made great strides in offering customers choices about how they prefer to conduct their banking activities. From online to in-person, we have developed products and services that provide flexible, convenient choices and efficiencies that are above all - customer friendly. What used to be a weekly trip to the local bank to cash a check and greet neighbors has been replaced with a few clicks of a mouse. Times may change, but our quality service standards remain unwavering and our banking services go everywhere to allow the customer to be where they need to be.



Wealth Management

We deliver comprehensive wealth management solutions for individuals and institutions. We provide assistance to private companies, non-profit organizations, professional firms and partnerships.

Although widespread uncertainty in the financial market has created a challenging environment, Strategic Investment Advisors continues to demonstrate solid progress and steady growth. Over the past few years, we have developed a unique wealth management solution for the under-served market within our region. Traditionally, families, closely-held businesses and non-profit organizations that had investable assets of less than \$1,000,000 had few, if any, options for professional wealth management. We have built a proprietary investment management service ideally suited for this significant sector of our communities. Each relationship begins with the creation of a comprehensive written investment policy statement geared to the client's specific goals and the development of an ongoing monitoring and review process. Investment due diligence and portfolio management are done in house with our own managers who are either Investment Management Consultant Association (IMCA) certified, hold an advanced degree or are currently enrolled in graduate school.

Securities, with the exception of bank products, are not FDIC insured, are not guaranteed by any financial institution and may involve investment risk and/or loss of principal.



Financial Review

Uwharrie Capital Corp and Subsidiaries

(Dollars in thousands except per share information)

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<u>Summary of Operations</u>					
Interest income	\$ 25,564	\$ 26,909	\$ 24,353	\$ 19,161	\$ 15,906
Interest expense	9,828	11,876	10,702	6,630	4,734
Net interest income	15,736	15,033	13,651	12,531	11,172
Provision for loan losses	969	15	298	755	2,092
Noninterest income	6,755	6,590	5,469	4,351	4,271
Noninterest expense	18,689	17,362	15,918	14,087	13,297
Income taxes	804	1,287	833	523	(199)
Net income	<u>\$ 2,029</u>	<u>\$ 2,959</u>	<u>\$ 2,071</u>	<u>\$ 1,517</u>	<u>\$ 253</u>
<u>Per Common Share</u>					
Net income – basic (1)	\$ 0.27	\$ 0.39	\$ 0.27	\$ 0.19	\$ 0.03
Net income – diluted (1)	0.27	0.39	0.26	0.19	0.03
Book value (1)	4.11	4.14	3.76	3.51	3.42
<u>Selected year-end balances</u>					
Assets	\$ 452,468	\$ 411,944	\$ 383,261	\$ 350,190	\$ 329,262
Loans held for investment	340,830	321,987	288,135	272,842	260,835
Securities	68,835	51,005	37,150	35,016	28,524
Deposits	353,627	324,657	309,600	273,976	246,939
Borrowed funds	54,751	53,619	42,329	47,007	53,796
Shareholders' equity	41,233	31,574	29,633	27,453	27,156

- (1) Net income per share, book value per share, weighted average shares outstanding and shares outstanding at year-end for 2004 through 2008 have been adjusted to reflect 3% stock dividends issued in 2008, 2007, 2006, 2005, and 2004.

The Company earned net income of \$2.0 million, or \$0.27 per basic common share for 2008 as compared with net income of \$2.9 million, or \$0.39 per basic common share, in 2007. As with most financial institutions, the primary component of earnings for our banks is net interest income, which increased by \$703 thousand, or 4.7%, to \$15.7 million for 2008 from \$15.0 million in 2007. The average yield on our interest-earning assets decreased 86 basis points to 6.63%, while the average rate we paid for our interest-bearing liabilities decreased 92 basis points. Our net interest margin for 2008 was 4.13%, compared to 4.24% in 2007.

The provision for loan losses was \$969 thousand and \$15 thousand for the twelve months ended December 31, 2008 and 2007, respectively. There were net loan charge-offs of \$118 thousand for the twelve months ended December 31, 2008 as compared with net loan recoveries of \$324 thousand during the same period of 2007. The allowance for loan losses was increased in 2008 to \$4.4 million, as compared to \$3.5 million for the prior year-end. The amount of impaired loans and the potential losses associated with these loans increased during 2008, resulting in an increase to the allowance for loan losses.

The Company generates most of its revenue from net interest income; however, diversification of our earnings base is of major importance to our long term success. Noninterest income increased 2.5%, from \$6.6 million in 2007 to \$6.8 million in 2008, an increase of \$165 thousand.

Noninterest expense increased \$1.3 million to \$18.7 million in 2008 compared to \$17.4 million in 2007. Salaries and employee benefits, the largest component of noninterest expense, increased \$481 thousand, from \$10.1 million in 2007 to \$10.6 million in 2008. Additions at the executive and bank support staff levels, together with normal salary increases, primarily account for this increase. Net occupancy and equipment costs increased \$163 thousand during the year. All other noninterest expense increased

Financial Review

(Continued from previous page)

\$683 thousand for the year, which included securities impairment of \$158 thousand.

The Company's total assets increased \$40.6 million or 9.8% from \$411.9 million at December 31, 2007 to \$452.5 million at December 31, 2008. This increase resulted primarily from an \$18.8 million increase in loans held for investment and a \$17.8 million increase in securities available for sale.

Customer deposits continued to be our principal funding source in 2008, allowing us to fund the growth in assets discussed above. At December 31, 2008, deposits from our customers totaled \$353.6 million, an increase of \$28.9 million, or 8.9%, from \$324.7 million at December 31, 2007. Other funding from borrowed funds increased slightly from \$53.6 million to \$54.8 million.

The Company continues to maintain a strong capital position. At December 31, 2008, total shareholders' equity was \$41.2 million compared to \$31.6 million at the end of 2007. Capital ratios are above those of a well capitalized bank as defined by our regulators.



DIXON HUGHES PLLC

Certified Public Accountants and Advisors

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors
Uwharrie Capital Corp
Albemarle, North Carolina

We have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Uwharrie Capital Corp and Subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2008 (not presented herein); and in our report dated March 25, 2009, we expressed an unqualified opinion on those consolidated financial statements. The accompanying condensed consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the information set forth in the condensed consolidated financial statements in relation to the consolidated financial statements from which it has been derived.

In our opinion, the information set forth in the accompanying condensed consolidated balance sheets as of December 31, 2008 and 2007, and the related condensed consolidated statements of income for each of the years in the three-year period ended December 31, 2008, is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

As discussed in Note 1 to the consolidated financial statements, effective January 1, 2008 the Company adopted the provisions of FASB's Emerging Issues Task Force 06-4, "Accounting for the Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements," and Statement and Financial Accounting Standards No. 157, "Fair Value Measurement."

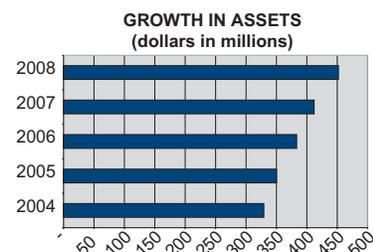
Dixon Hughes PLLC

Southern Pines, North Carolina
March 25, 2009

Balance Sheet

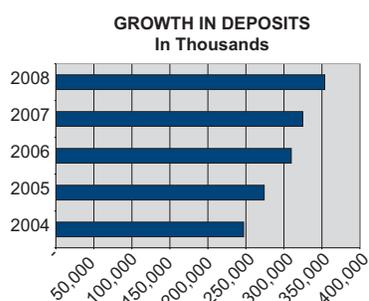
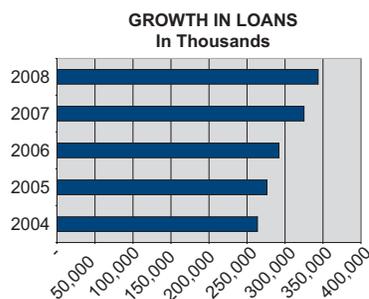
Uwharrie Capital Corp Balance Sheets December 31, 2008 and 2007

	2008	2007
	(dollars in thousands)	
ASSETS		
Cash and due from banks	\$ 2,931	\$ 13,765
Interest-earning deposits with banks	10,353	2,432
Securities available for sale, at fair value	68,835	51,005
Loans held for sale	2,691	2,916
Loans:		
Loans held for investment	340,830	321,987
Less allowance for loan losses	(4,361)	(3,510)
Net loans held for investment	336,469	318,477
Premises and equipment, net	11,128	8,751
Interest receivable	2,027	2,055
Federal Home Loan Bank stock	2,284	2,137
Bank owned life insurance	5,511	5,318
Goodwill	987	987
Other real estate owned	2,816	163
Other assets	6,436	3,938
Total assets	<u>\$ 452,468</u>	<u>\$ 411,944</u>
LIABILITIES		
Deposits:		
Demand noninterest-bearing	\$ 46,032	\$ 46,597
Interest checking and money market accounts	117,325	102,411
Savings deposits	26,360	26,200
Time deposits, \$100,000 and over	63,321	54,729
Other time deposits	100,589	94,720
Total deposits	353,627	324,657
Short-term borrowed funds	22,249	31,928
Long-term debt	32,502	21,691
Interest payable	502	596
Other liabilities	2,355	1,498
Total liabilities	411,235	380,370
SHAREHOLDERS' EQUITY		
Preferred stock, no par value: 10,000,000 shares authorized; 10,000 shares of series A issued and outstanding at December 31, 2008 and 500 shares of series B issued and outstanding at December 31, 2008	10,000	-
Discount on preferred stock	(500)	-
Common stock, \$1.25 par value: 20,000,000 shares authorized; shares issued and outstanding 7,593,929 and 7,414,707 shares, respectively	9,492	9,268
Additional paid-in capital plus stock option surplus	14,019	13,453
Unearned ESOP compensation	(736)	(800)
Undivided profits	10,008	9,266
Accumulated other comprehensive income (loss)	(1,550)	387
Total shareholders' equity	41,233	31,574
Total liabilities and shareholders' equity	<u>\$ 452,468</u>	<u>\$ 411,944</u>



See Report of Independent Registered Public Accounting Firm

Statement of Income

Uwharrie Capital Corp
Statements of Income

	2008	2007	2006
	(in thousands, except share and per share data)		
Interest Income			
Loans, including fees	\$ 22,780	\$ 23,916	\$ 21,959
Investment securities:			
US Treasury	73	98	98
US Government agencies and corporations	1,853	1,401	832
State and political subdivisions	689	633	679
Other	84	128	174
Interest-earning deposits with banks and federal funds sold	85	733	611
Total interest income	<u>25,564</u>	<u>26,909</u>	<u>24,353</u>
Interest Expense			
Interest checking and money market accounts	1,357	2,550	2,342
Savings deposits	301	526	734
Time deposits \$100,000 and over	2,453	2,316	2,100
Other time deposits	3,828	4,138	3,091
Short-term borrowed funds	529	1,128	758
Long-term debt	1,360	1,218	1,677
Total interest expense	<u>9,828</u>	<u>11,876</u>	<u>10,702</u>
Net interest income	15,736	15,033	13,651
Provision for loan losses	969	15	298
Net interest income after provision for loan losses	<u>14,767</u>	<u>15,018</u>	<u>13,353</u>
Noninterest Income			
Service charges on deposit accounts	2,238	2,188	2,000
Other service fees and commissions	2,777	3,097	2,329
Gain(loss) on sale of securities	-	(76)	60
Income from mortgage loan sales	1,208	957	764
Other income	532	424	316
Total noninterest income	<u>6,755</u>	<u>6,590</u>	<u>5,469</u>
Noninterest Expense			
Salaries and employee benefits	10,637	10,156	9,130
Net occupancy expense	987	871	711
Equipment expense	645	598	618
Data processing costs	789	742	939
Securities impairment	158	-	-
Other noninterest expense	5,473	4,995	4,520
Total noninterest expense	<u>18,689</u>	<u>17,362</u>	<u>15,918</u>
Income before income taxes	2,833	4,246	2,904
Income taxes	804	1,287	833
Net income	<u>\$ 2,029</u>	<u>\$ 2,959</u>	<u>\$ 2,071</u>
Net income	\$ 2,029	\$ 2,959	\$ 2,071
Dividends on preferred stock	(13)	-	-
Net Income available to common shareholder	<u>\$ 2,016</u>	<u>\$ 2,959</u>	<u>\$ 2,071</u>
Net income per common share			
Basic	<u>\$ 0.27</u>	<u>\$ 0.39</u>	<u>\$ 0.28</u>
Diluted	<u>\$ 0.27</u>	<u>\$ 0.39</u>	<u>\$ 0.27</u>
Weighted average common shares outstanding			
Basic	7,482,488	7,603,494	7,685,978
Diluted	7,520,484	7,706,832	7,802,101

Uwharrie Capital Corp Associates

People are the foundation of Uwharrie Capital Corp. Our associates demonstrate enthusiasm for our mission and core values every day. We depend on their commitment, passion, knowledge and talents to make our Company successful and contribute positively to the communities we serve.

Nancy H. Allen
Kathy H. Almond
Natalie L. Almond
Jason R. Andrew
William A. Andrews
Annie S. Austin
P. Craig Austin
Amy Y. Barbee
Ronald D. Barnes
Jill A. Barrier
Anitra C. Barringer
Dayle C. Beaver
R. David Beaver, III
Sarah G. Bivins
Jennifer M. Blake
Megan E. Blalock
Shanna M. Blalock
Ronnie D. Blanton
Sherry L. Bolser
Rebecca B. Bost
Tiffany M. Bowman
Robert B. Brannan, III
Robert O. Bratton
Misty C. Broadway
W. Gaynelle Brooks
Barry C. Brummitt
Debbie S. Burkett
Brenda Diane Burris
Cathy M. Burris
Judith A. Camp
Lindsey E. Capell
Anita F. Carpenter
Michelle B. Carver
Brandis T. Chewning
Robin G. Christian
Darlene T. Clayton
Starr D. Cloninger
Gayle F. Comer
Julie C. Conner
Shelia B. Cook
Anngennell Y. Cooke

Pamela J. Curlee
Donald M. Davis
Shannon M. Davis
Cheryl J. Dearmon
Stephen A. Denning
Roger L. Dick
Alexander T. Domenech
Brendan P. Duffey
Donald R. Edwards
Chasity L. Eford
Debra M. Erk
Bradley W. Eudy
Brandon K. Eudy
Leslie T. Eudy
Duane S. Fagg
Monty L. Fast
Anne R. Flynn
Tammie D. Fraley
Deborah G. Frick
Allen K. Furr
Angela K. Gann
David C. Gaskin
Susan B. Gibson
Tina L. Gibson
M. Casey Greene
Matthew W. Greene
Sherman L. Greer
Linda D. Harkey
Alisa E. Hartsell
Michael G. Harwood
Jane S. Hatley
Patricia C. Hatley
G. Ernest Hatley, Jr.
Kayla P. Heafner
Tammy R. Helms
Anita C. Hill
Deborah T. Hinson
Jan L. Hobbs
Gerald B. Honeycutt
Carolyn F. Hopkins
Patricia K. Horton

Martha E. Hughes
Kristi W. Humphrey
Jessica S.C. Ingram
Williesenia A. Ingram
Jacqueline S. Jernigan
Amy B. Johnson
Sonya H. Johnson
Carol H. Jones
Mark O. Jones
Suzette D. Kluttz
Mitchell C. Knighten
Brooke E. Laton
Debra L. Laton
W.D. Lawhon, Jr.
Daria W. Ledbetter
Holly F. Lee
Joy M. Lee
Charlie W. Lentz
Mark A. Lisk
Kimberly C. Long
Audrey F. Lowder
Patricia L. Lowder
Sheila M. Lowder
Teresa G. Lowder
Tonya M. Lowder
Traci R. Lowder
Sandra P. Mabry
Sandra S. Maiden
Dana A. Maness
J. Michael Massey
Elsa E. Mata
Delaine H. McCormick
John P. McIntyre
Kristal M. McKethan
Dawn L. Melton
Lorelei V. Misenheimer
Lorrie M. Nantz
Jessica Lynn Nelson
Robin E. Nicolaisen
Johnda S. Noble
Misty M. Nordan
Martha W. O'Brien
H. Clifford Parsons

C. Rodney Pepper
Donna L. Pleasant
Amanda L. Poplin
Dustin L. Poplin
Kaci Maria Pressler
Jennifer K. Purser
Trena B. Purvis
Brandi A. Ray
Cindy L. Riley
Cheryl P. Rinehardt
Teresa T. Ritchie
David M. Rudisill
Jason A. Rummage
Cynthia C. Sasser
Neil B. Senter
Roger Scott Seymour
Debbie B. Sheppard
Cristi H. Showalter
Tamara M. Singletary
Helen Ann Smith
Katrina H. Smith
Kelly B. Smith
Sabrina D. Smith
Tamara L. Smith
Patricia B. Speight
Christy D. Stoner
Ryan V. Story
Jimmy L. Strayhorn
Megan S. Stroud
A. Donald Swaringen
Crystal B. Swaringen
Gayle B. Talbert
Jeffrey M. Talley
Michael Chad Tarlton
Angela S. Teems
Misti D. Thompson
Misty W. Thornburg
Crystal M. Troutman
Linda B. Troutman
Marci A. Tucker
Michelle P. Tucker
Susan T. Tucker
Kristin M. Umberger
Kathy R. Valentine
Vinita K. Vanhoy
Eddie F. Wall
Robbie H. Walters
Angela T. Webb
Melody S. Whitley
Barbara S. Williams
Tonda M. Witmore
Brittany G. Wolfarth
Kenneth E. Yelton



Community Investment

Dedicated to our communities' future, Uwharrie Capital Corp provides our citizens with superior financial services and supports these communities through business and civic endeavors. We recognize that we cannot have a healthy and growing business unless the communities we serve are sustainable themselves.

Academic Learning Center
 Albemarle Downtown Development Corporation
 Albemarle Optimist Club
 Albemarle Parks & Recreation
 Albemarle Rotary Club
 American Cancer Society
 American Red Cross
 Anson County Chamber of Commerce
 Anson County Domestic Violence Coalition
 Anson County Ducks Unlimited
 Anson County FFA Festival
 Anson County Historic Society
 Anson County Humane Society
 Anson County Partnership for Children
 ARC of Stanly County
 Ben Mynatt Children's Foundation
 Best of Badin Festival
 Better Badin, Inc.
 Big Lick Antique Tractor Pull
 Big Lick Blue Grass Festival
 Boys & Girls Club of Cabarrus
 Cabarrus Arts Council
 Cabarrus College of Health Sciences
 Cabarrus Meals On Wheels
 Cabarrus Regional Chamber of Commerce
 Camp Challenge - NC Bankers Association
 Central NC Council Boy Scouts
 Cheer Corps Parents Association
 City Youth Ballet
 Community Athletics, Benefits, Concerts, Events, Youth

Community Churches & Christian Ministries
 Concord Downtown Development
 Concord Pipe & Drum, Inc.
 Conflict Resolution Center
 Crohn & Colitis Foundation of America
 CVAN Auction & Celebration
 Cystic Fibrosis Foundation
 EE Wadell Center
 Endy Optimist Club
 Fire Departments
 Folds of Honor Foundation
 Foundation of Anson Community Hospital
 GHA, INC
 Girls Scouts, Hornet's Nest
 Greater Oakboro Business Association
 Habitat For Humanity
 Helping Hands
 Hispanic Learning Center
 Homes of Hope
 Hospice
 Joe Talbert Memorial Golf Tournament
 Kerri K. Eford Memorial Scholarship
 Kirk Home Extension Club
 Lions Club
 Masonic District of NC Masons
 Men Making A Difference
 Mt. Pleasant Food Ministry
 Municipalities and Law Enforcement
 Muscular Dystrophy
 National Wild Turkey Federation
 NC Zoological Society

New Business Ventures
 New Hope Optimist Club of Stanly County
 North Carolina Water Rights Committee
 NorthEast Medical Foundation
 Norwood Museum
 Oakboro Fourth of July Celebration
 Oakboro Youth Association
 Pfeiffer University
 Pregnancy Resource Center
 Rescue Unit of Stanly County
 Richfield Civitan Club
 Rotary Club of Cabarrus County
 Rotary Club of Stanly County
 Salvation Army
 Samaritan's Feet
 Schools - Project Graduation, Academic Programs, Athletics
 South Oakboro Action Association
 South Piedmont Community College Foundation
 Special Olympics of Stanly County
 St. Jude's Research Hospital
 Stanly County Chapter America Cancer Society
 Stanly Community College Foundation
 Stanly County Air Show
 Stanly County American Legion
 Stanly County Arts Council
 Stanly County Chamber of Commerce
 Stanly County Chorale

Stanly County NAACP
 Stanly County Partnership for Children
 Stanly County Senior Center
 Stanly County Shrine Club
 Stanly County Stinger
 Stanly County YMCA
 Stanly Regional Medical Center
 Stanly Regional Medical Center Foundation
 Stanly Veterans Council
 Talent Company
 Town of Norwood - Arbor Day Sponsorship
 UCSF-MAC CJD Research
 United Way Campaigns
 Uptown Wadesboro
 Uwharrie Community Service
 Uwharrie Mountains Festival
 Uwharrie Players
 Uwharrie Running Club
 Wadesboro Civitan
 Wadesboro Rotary Club
 Yadkin Pee Dee Lakes Project
 YMCA Empty Stocking Fund



Locations

Local decision-making and customer familiarity are key in making Uwharrie Capital Corp successful. Our group of talented associates know their communities and they know their customers. Local delivery means timely decision-making and we work to strengthen our relationships. We get to know you, we work to understand your business and your financial needs and we thank you for doing business with us.

BANK OF STANLY

www.BankofStanly.com

ALBEMARLE

Post Office Box 338
Albemarle, NC 28002-0338

MAIN OFFICE
AND INVESTMENT
SERVICES CENTER

704-983-6181
167 North Second Street (28001)

VILLAGE OFFICE*

704-983-6181
710 North First Street (28001)

EAST ALBEMARLE OFFICE*

704-983-6181
800 NC 24-27 Highway (28001)

ATM Location
Stanly Regional Medical Center

NORWOOD*

704-474-3103
107 South Main Street
Post Office Box 657
Norwood, NC 28128-0657

OAKBORO*

704-485-3435
624 North Main Street
Post Office Box 539
Oakboro, NC 28129-0539

WEST STANLY

704-888-8897
111 Ray Kennedy Drive
Post Office Box 715
Locust, NC 28097

*ATM Locations

ANSON BANK & TRUST

www.AnsonBankandTrust.com

WADESBORO

704-694-2122
211 South Greene Street
Post Office Box 249
Wadesboro, NC 28170-0249

ATM Location
426 East Caswell Street



Locations

CABARRUS BANK & TRUST

www.CabarrusBankandTrust.com

CONCORD

Post Office Box 1970
Concord, NC 28026-1970

PALASIDE DRIVE OFFICE*
704-262-3855
25 Palaside Drive, NE (28025)

CHURCH STREET OFFICE
704-262-3855
700 Church Street North (28025)

MT. PLEASANT*

704-436-2300
1490 South Main Street
Post Office Box 1081
Mt. Pleasant, NC 28124-1081

*ATM Locations

STRATEGIC INVESTMENT ADVISORS

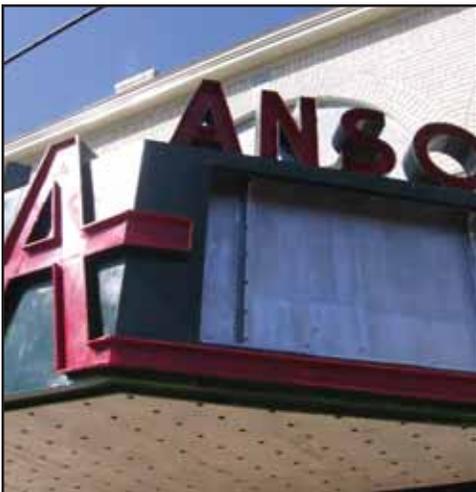
www.StrategicInvestmentAdvisors.com

ALBEMARLE

704-983-5959
132 North First Street (28001)
Post Office Box 1517
Albemarle, NC 28002-1517

CONCORD

CHURCH STREET OFFICE
704-262-3855
700 Church Street North (28025)
Post Office Box 1970
Concord, NC 28026-1970



Closing Thoughts ...

Our vision is of a community where economic prosperity is shared by many and not few, where progress embraces the environment rather than destroys it, where meeting our needs today does not compromise the future of our grandchildren. We can work together to take control of our economic destiny and create a vibrant, desirable place to live where the basic needs for human life are controlled by the people who are affected the most; the people who live here. Through appropriate planning and sound public policy, we can reap the benefits of a balanced economy built upon environmentally friendly manufacturers, providers of high-tech jobs, health care, service companies, recreation and tourism.



SHAREHOLDER INFORMATION

It is the philosophy of Uwharrie Capital Corp to promote a strong, local shareholder base. While bid and asked prices for the Company's common stock are quoted on the Over the Counter Bulletin Board under the symbol UWHR, trading is sporadic with most trades taking place in privately negotiated transactions. Management makes every reasonable effort to match willing buyers with willing sellers as they become known for the purpose of private negotiations for the purchase and sale of the Company's common stock.

The Board of Directors has adopted a dividend policy on an annual basis. For 2008, Uwharrie Capital Corp declared a 3% stock dividend. The Board of Directors will determine on an annual basis, consistent with the capital needs of the Company, an appropriate dividend.

Shareholders needing information about purchasing or selling stock should contact Tamara M. Singletary, Executive Vice President/Investor Relations at Uwharrie Capital Corp, 132 North First Street, Post Office Box 338, Albemarle, NC 28002-0338.

Telephone (704) 982-4415

Email address: tsingletary@uwharrie.com

Securities, with the exception of bank products, are not FDIC insured, are not guaranteed by any financial institution and may involve investment risk and/or loss of principal.

The financial information appearing in this Summary Annual Report has been condensed from the consolidated financial statements which accompany the Proxy Statement distributed in connection with Uwharrie Capital Corp's 2009 Annual Meeting of Shareholders. A copy of the Company's 2008 Annual Report on Form 10-K, as filed with the Securities and Exchange Commission (SEC), may be obtained at no charge by searching the "EDGAR" archives at the SEC's internet site at www.sec.gov or by notifying Tamara M. Singletary, Executive Vice President and Corporate Secretary, Uwharrie Capital Corp, 132 North First Street, Post Office Box 338, Albemarle, NC 28002-0338.

(Email: tsingletary@uwharrie.com)

Management has simplified the financial presentation in this Summary Annual Report because it believes such simplification enhances the shareholder communication process. Management's objective is to provide shareholders with relevant financial information in an easily understood and readable format.

The accompanying condensed consolidated financial statements and their integrity and objectivity are the responsibility of the Company's management. The financial statements include amounts based on management's best estimates and judgments. Management also prepared other information in the Summary Annual Report and is responsible for its accuracy and consistency.

This Annual Report may contain, among other things, certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including, without limitation, (i) statements regarding certain of the Company's goals and expectations with respect to earnings, income per share, revenue, expenses and the growth rate in such items, as well as other measures of economic performance, including statements relating to estimates of credit quality trends, and (ii) statements preceded by, followed by or that include the words "may," "could," "should," "would," "believe," "anticipate," "estimate," "expect," "intend," "plan," "projects," "outlook," or similar expressions. These statements are based upon the current belief and expectations of the Company's management and are subject to significant risks and uncertainties that are subject to change based on various factors (many of which are beyond the Company's control).



2008 Summary Annual Report

Uwharrie Capital Corp's 2008 Summary Annual Report is printed on an environmentally friendly paper.

Many of our customers have allowed us to feature them in our Summary Annual Report or contributed photographs.

We appreciate the contributions from the following:

The Fork Farm & Stables; The Forever Inn; Huneycutt Photography; God's Country Outfitters; New Ventures Business Development, Inc.; The Bead Lady; Middle Ring Cycles; Vac & Dash; Sandy's Hub; Classic Art; Flowers, Etc.; Whispering Pines; and Thistle Pottery.

Uwharrie Capital Corp

132 North First Street • Post Office Box 338
Albemarle, NC 28002-0338
704-982-4415
www.UwharrieCapitalCorp.com