



2015 Year In Review


Uwharrie
CAPITAL CORP

Securing Our Future

Dear Shareholders:

On April 26, 1983, a community of people came together in an old funeral home chapel in response to the consolidation of banks that had started to take place in our country, specifically in our local community. It was our vision to establish a local bank dedicated to building a strong community.

Local people met and provided seed money to start a new community bank. We told them not to put up more than they were willing to lose because, according to all the experts, it was not supposed to work. This prayer opened the organizational meeting.

We were on a mission to regain control of our local wealth and secure our future and financial self-sufficiency.

Maintaining Our Freedoms

There was a time in our country when most of the banks were local, which essentially meant that communities were able to create community wealth to address specific local needs and promote economic well-being. Through the process of financial intermediation, a local bank could multiply the wealth of a community by as much as ten fold. A dollar deposited in a local bank becomes ten dollars as the bank makes loans in the community, which are ultimately redeposited and lent out repeatedly, thereby fueling a local economy.

Control of money is the ultimate mechanism of social control in a society in which most every person depends on money for the basic means of living - food, water, shelter, transportation, education. The loss of control over wealth and access to money is a loss of freedom and security.

Economic literacy and regaining control of our local wealth were the foundational stones to accomplishing our goal. We understood the need to make a profit and earn a return on our investment, but our first priority was to regain control of our wealth. The bank was the means to putting into place that foundation. "For the people, by the people a great nation was started, so would be a great community bank." This has been our mantra and vision for 30 years, and remains so to this day.

Organizational Prayer

April 26, 1983

Our Father, God, your gifts to us are good, very good, and we pause to thank you for them. You enrich our lives by giving us challenges, adventures, opportunities to use our creativity, our minds. But, You also call us to be good managers of those gifts, to responsibly use them in the service of others. So, we pray your blessings on those here assembled that what they accomplish will be pleasing in your sight.

*In His name,
Amen*

We the People

Since our beginning, we have grown not just in assets, but also in our understanding of building communities and securing prosperity. Community involves a group of people who are united through a common struggle; who share a common vision and purpose. We understand that community is not defined by geography, but by purpose. Today, we are a community of people that believes maintaining control of our wealth is consistent with protecting our freedom. "We the people," are the customers of Uwharrie Bank and its subsidiaries, its shareholders and its associates. We are the bank to local, independent, family-owned businesses. These same businesses are



Associates David Beaver, Charlie Lentz and Ken Yelton work to install floor joists at a local Habitat for Humanity home site.



Members of Uwharrie Bank Mortgage deliver much needed school supplies to Sedgefield Middle School in Charlotte.

providing the majority of our nation's new jobs. We are the bank that is about building Main Street communities, financing homes, helping to manage the family nest egg and securing futures.

Our growth continues as like-minded people become customers, shareholders and advocates, joining with us in returning control of local wealth and futures back to our neighborhoods and Main Streets.

Making a Difference

Main Streets, both urban and rural, have been the backbone of a resilient and vibrant American economy. However, something began to change in the late part of the 20th century. We entered into an era of accelerated mergers and acquisitions; a number of North Carolina companies that were once locally owned became national and international enterprises. As a result, these companies became less concerned with things local ... with North Carolina. Control and the focus of these organizations moved from our Main Streets to Wall Street. It was not just competition that drove this: governmental policy on a federal level was a major driver of consolidation. Consequently, as our economy became more globalized, we became less secure ... less free.



Uwharrie associates donate over \$46,000 to the United Way during their annual workplace giving campaign.

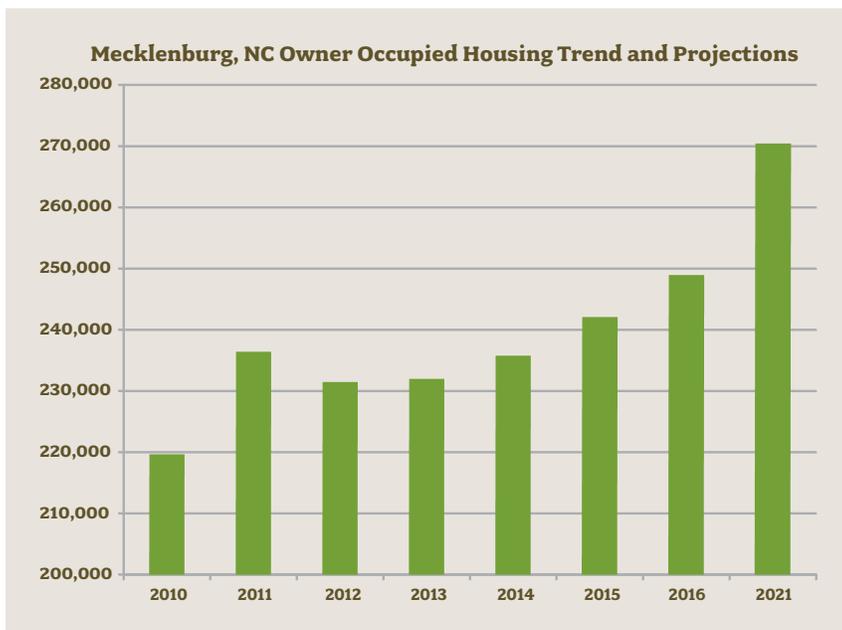
Working Together

Our journey has not been an easy one, and a number of forces still threaten our mission and vision – the community bank business model. These threats include the impact of new and existing governmental policies and regulations. A growing global economic disorder, increased volatility of our markets and a low interest rate environment are all putting pressure on bank earnings, both large and small. Data suggests that industry consolidation will continue and could lead to a fundamentally different community banking landscape in the next 20 years in this world of increasing change.

One of the things that has not changed is the desire for people to be in control of their wealth, for their benefit and for the benefit of the local economy. While how we deliver financial services has and continues to change, our focus and adherence to our original mission and vision remains steadfast. We are embracing the future and are making the necessary investments to remain relevant in meeting the needs of our community. We are much more than just a bank. We understand the importance of our Main Streets and the need for resilient local economies. We are still about building communities.

Growing Our Family

In addition to caring and giving great service, we also continue to grow our community of supporters. In 2015, Uwharrie Bank Mortgage opened a new office at 141 Providence



Road, Charlotte, which allows us to take our high-touch approach to helping families acquire homes in one of the fastest growing residential markets in the nation. In addition, we have invested in technology that allows us to help families acquire homes in almost any state in the nation. This is done paperlessly with online technology and the high-touch assistance of our home mortgage professionals.

(At right) Great mortgage lenders make the difference in buying a home. At right, Charlie Lentz, Ronald Barnes, Kathy Almond and Charles Myers are just a few members of the Uwharrie Bank Mortgage team ready to help homebuyers across the region and beyond.



Lori Misenheimer, CFP®, AIF®; Elsa E. Mata, CIMA®; and David C. Gaskin, ChFC®, CLU®, AIF® are members of the wealth management team.

The purchase of a home is one of the largest financial investments that most families make. Life requires that we make preparations for education, retirement, and other family and business needs. Accordingly, Uwharrie Investment Advisors has individuals who are trained and hold prestigious credentials as evidence of their professionalism and ability to advise and guide families in accomplishing their life goals.

Helping our local businesses grow involves helping them with their employee retirement accounts so they can attract and retain the workforce talent they need to be successful. Uwharrie Investment Advisors works with our business community to put in place the retirement programs that help their employees be successful in funding their retirement.

So, whether it is investing for retirement, administering a business retirement plan, providing life insurance for a key company person or life insurance to protect a young family, Uwharrie Investment Advisors is diligent in helping our customers develop a plan to accomplish their financial goals.⁺

+See disclosures on page 11

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.



Uwharrie Investment Advisors has over \$143 million under management and represents local families, businesses and non-profit organizations. Concord lawyer Vernon Russell is among its customers.



Like most community banks, the bulk of our earnings comes from loans we make to the business community. Our lending team is relationship oriented, which means we invest the time to learn and understand the unique complexities of our business clients. This allows us to help them determine the appropriate amount of bank debt that is needed to grow and sustain their businesses.



As owners of Brown Creek Equine Hospital in Polkton, Drs. Marsha Severt (pictured here) and Skip Severt credit the success of their practice to quality patient care, communication and relationship building. Smart business decisions don't hurt either, like partnering with Uwharrie Bank and the products and services offered.

We are also adding new products, developing niche lending markets and investing in the technology that keeps us accessible, relevant and focused on meeting the needs of our customers. The increased cost of banking is requiring we achieve greater scale. Consequently, in addition to our Uwharrie Bank Mortgage office, we have opened a Uwharrie Bank loan production office and plan to open a Uwharrie Investment Advisors office in Charlotte in 2016. Near-term, our plans are to grow organically by serving the relationships of those customers and individuals who share our values.

While offering our services in the more urban markets of our region, we are not focused on growth just for growth's sake. We continue to define ourselves in terms of how good a job we are doing in building our communities and serving our customers in the belief that if we do that well, our bottom line will take care of itself. Great products and great technology are not enough...it takes a team of dedicated people that really care and are focused. We are fortunate to have those kinds of people.



Providing great customer service is a business principle that drives the success of Kluttz Wholesale Tire in Stanfield. The same principle drives Mandi Rogers and the professionals at Uwharrie Bank to provide excellent care to owner Michael Kluttz and other commercial customers.

People Matter

There are those who think banking services have become commoditized, i.e., no differentiation. A checking account is a checking account, and a mortgage loan is a mortgage loan...or is it? We passionately believe you can still differentiate yourself from the crowd. Our most significant differentiator is our people. They understand our mission and are proud to be part of an organization that is about something bigger than just growth.

Great organizations have a reputation for excellent customer service. The banking industry is under increased earnings pressure, which is all the more reason to be focused and diligent to our customers and their needs. We understand customers have options for their financial needs – so we work to make each customer feel special and, most importantly, meet their needs. Our people routinely receive accolades for outstanding customer service.

Customer Satisfaction is a measure of how products and services supplied by a company meet or surpass customer expectations.

High Customer Satisfaction leads to future growth and profitability by creating a loyal group of repeat customers. These customers often become evangelists for us by talking about their experiences and referring their family and friends to us for their financial needs.

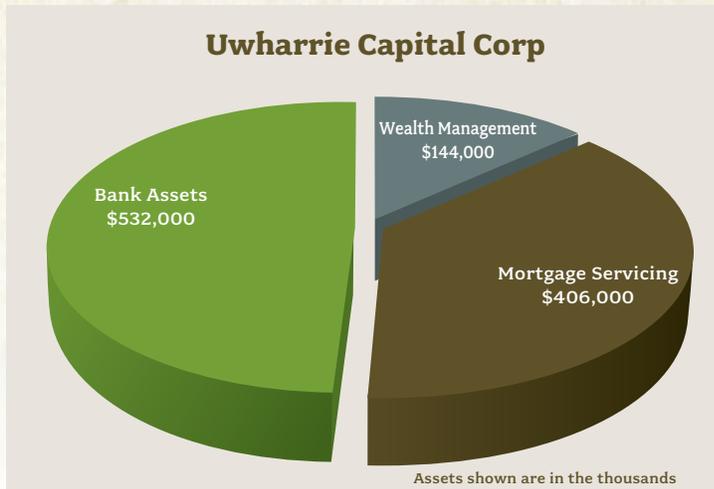
We measure our Customer Satisfaction with surveys of customers. Over the past year, 98% of our customer surveys indicated they strongly agree that their overall experience with Uwharrie Capital Corp and its subsidiaries, Uwharrie Bank, Uwharrie Bank Mortgage and Uwharrie Investment Advisors was superior. For comparison, during 2015, the average Customer Satisfaction score for larger banks ranged from 68% to 82% according to independent agencies.



Tammie Fraley is just one of the 176 associates committed to providing excellent service to our customers and our communities.

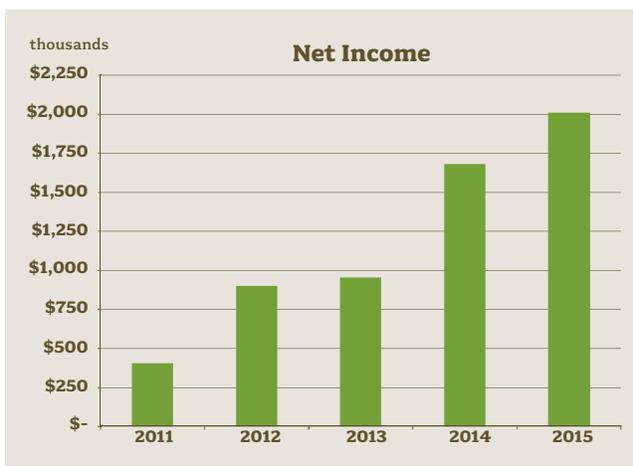
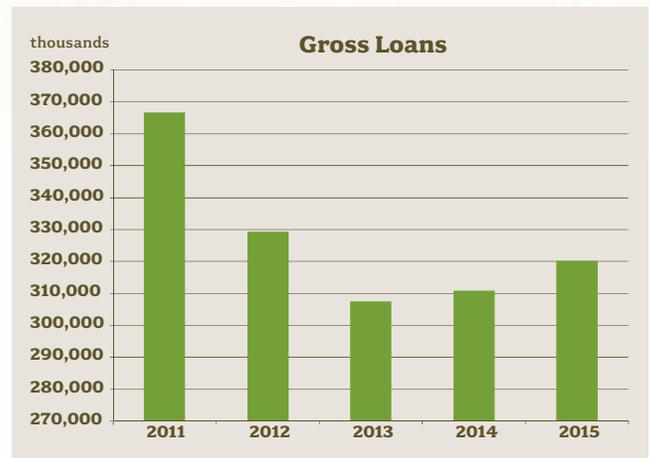


More Than Just a Bank



Uwharrie Capital Corp is more than just a bank holding company; we offer an array of financial services, including mortgage banking and wealth management. We service over \$1 billion with these three business lines.

Following the recession of 2009, Gross Loans continued to decline; however, in 2013, that trend ended. Since then, we have grown Gross Loans by slightly over 4%, while improving non-performing loans to the lowest in our history.



The shift in balance sheet mix and the improvement in asset quality, coupled with an increased focus on fee income from wealth management and mortgage banking, plus the reduction in expenses from consolidation, led to a five-fold improvement in Net Income.

As Net Income improved, our stock price lagged as the banking industry continued to struggle. However, in the most recent three years, we have experienced a 51% improvement in stock price for our shareholders.



These financial results were accomplished by placing our focus on meeting the needs of our communities, their people and businesses. Success in life or business is based on really being about something...being about the right things. Do we send our children to school to get good grades, or to be educated? Our objective is for our children to acquire knowledge and skills. If they do a good job, it is reflected in their report cards.

Business opportunities and economies exist because people, society, and communities have needs. Satisfying those needs effectively and efficiently is our objective. If we do so, it will be reflected in our financial report card. Meeting the needs of our community is our reason for being and is key to our success.

People - customers, associates and shareholders - want to be part of an organization that genuinely cares about them and their well-being before its own financial bottom line. It is our special vision and mission that continue to attract new people and businesses to our organization.

For more detailed information about our financial performance, please visit our website. (www.uwharrie.com/investorrelations.)

Vision and Purpose

Our company made progress on many fronts during 2015. Our balance sheet is strong, our earnings are growing and we have great people working as a team to achieve outstanding results. In addition, we have a community of shareholders who remain committed to a community bank that is dedicated to retaining control of our capital... creating new wealth for individuals and the community at large; a community today that we define not by geography, but by purpose.

We are optimistic about our future. As the banking industry continues to consolidate, we feel our community bank charter will become even more differentiated in a land of giants. People are looking for a bank that operates on a human scale. A community of people with a shared vision working together is “making a difference.” We ask that you share our story and mission with others, and invite them to join our corporate family as we continue to work together to control our wealth and secure our future.

Sincerely,

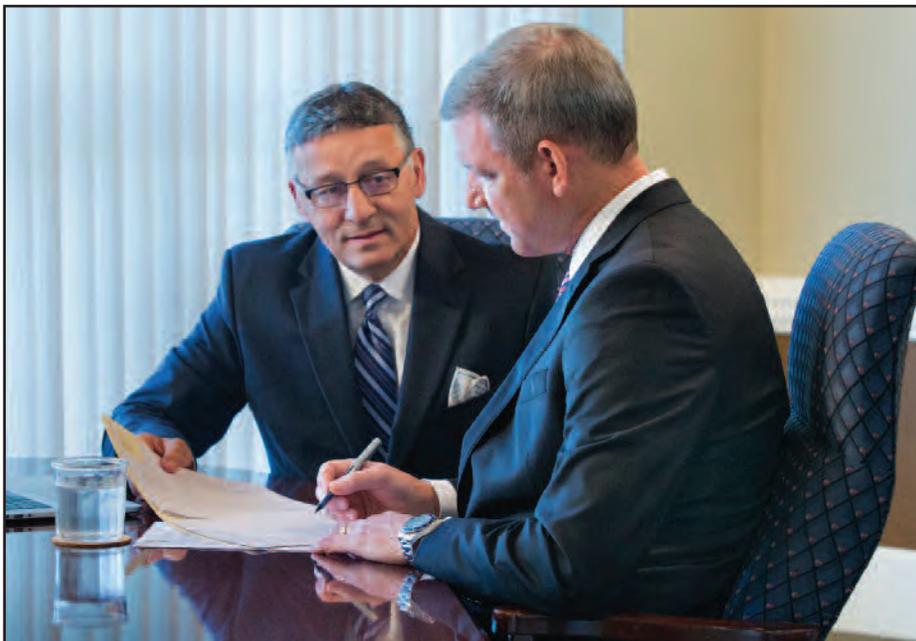
Uwharrie Capital Corp



Roger L. Dick
President and
Chief Executive Officer



Brendan P. Duffey
Chief Operating Officer



For Roger Dick (left) and others at Uwharrie Bank, helping customers such as Stephen Chambers demonstrates our mission to build authentic business relationships and meet the needs of our customers and communities.

UWHARRIE BANK LOCATIONS

MEMBER FDIC | EQUAL HOUSING LENDER

ALBEMARLE

Downtown Office
167 North 2nd Street
704.983.6181

Village Office*
710 North 1st Street
704.983.6181

East Office*
800 NC 24-27 Highway
704.983.6181

NORWOOD*

107 South Main Street
704.474.3103

OAKBORO*

624 North Main Street
704.485.3435

LOCUST*

(West Stanly)
416 West Main Street
704.888.8897

CONCORD

Palaside Drive Office*
25 Palaside Drive, NE
704.262.3855

Church Street Office
700 Church Street North
704.262.3855

MT. PLEASANT*

1490 South Main Street
704.436.2300

WADESBORO

211 South Greene Street
704.694.2122

ATM Location
426 East Caswell Street
Wadesboro, NC 28170

* ATM locations

CHARLOTTE

Uwharrie Bank Mortgage
141 Providence Road
704.991.2828

UWHARRIE INVESTMENT ADVISORS

ALBEMARLE

132 North First Street
704.983.5959

+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.

Uwharrie Investment Advisors, Inc. is an SEC-registered investment advisor. Uwharrie Investment Advisors, Inc. is a subsidiary of Uwharrie Capital Corp. and an affiliate of Uwharrie Bank.

UWHARRIE INVESTMENT GROUP

ALBEMARLE

132 North First Street
704.983.5959

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Retail brokerage and insurance products are offered through (Private Client Services, LLC., 2225 Lexington Rd, Louisville, KY 40206, phone: 502-451-0600), Member FINRA and SIPC under the marketing name of Uwharrie Investment Group. Private Client Services, LLC, and Uwharrie Capital Corp along with its affiliates and/or subsidiaries are separate, distinct and unaffiliated entities.

UWHARRIE CAPITAL CORP

ALBEMARLE

132 North First Street
704.982.4415

*Uwharrie Investment Advisors Representative
Kyle Eudy values community and the
opportunity to secure the future for families,
including his own with son Vann.*





making a difference[®]

uwharrie.com