



**First Quarter Report**  
March 31, 2008

# Uwharrie Capital Corp

[www.UwharrieCapitalCorp.com](http://www.UwharrieCapitalCorp.com)

May 29, 2008

Dear Shareholder:

For almost a quarter of a century, Uwharrie Capital Corp has remained committed to our mission of enhancing the well-being of our communities, while earning a profit for our shareholders. We believe our performance in the first quarter reflects continued progress toward accomplishing both objectives.

We experienced excellent growth in earnings for the first quarter of 2008. Net income rose 18% to \$775 thousand for the quarter ended March 31, 2008, compared to \$658 thousand for the same period of 2007. We are particularly pleased with these results in view of the challenging economic conditions faced by many in our industry.

Total assets as of March 31, 2008, were \$411.4 million, an increase of \$18.8 million or 4.8% for the last twelve months. Total assets at March 31, 2007, totaled \$392.6 million. Loans increased \$28.5 million from \$296.9 million to \$325.4 million for the period.

While the prevailing economic forces have negatively impacted many financial institutions, we continue to have a loan portfolio that is high quality and a solid base of core deposits. We remain diligent in managing our risk and exposure by our disciplined approach to lending and deposit pricing. As you recall, we have not pursued or participated in sub-prime mortgage lending practices.

Deposits for the period increased from \$315.0 million to \$326.8, an \$11.8 million increase. Our strategy has been to provide competitive rates to our loyal customers, without irrationally chasing the most rate-sensitive deposits, which cannot be relied on as a stable funding source. We attribute the growth of our loan portfolio and our deposits to our longstanding emphasis on providing highly personalized service to individuals and businesses in our marketplace.

Another development during the first quarter was our introduction of the “Shop Local” program to all three community markets. The objective of the program is to help educate local citizens to things they can do individually to help “make a difference” in our communities. The program was also designed to teach our young adult leaders the role their company is playing within our community as an economic engine. Keeping local wealth working in the community helps create jobs and many other benefits to the place we call home. We are all working to ensure that we and our banks have a beneficial effect in creating the desired future for our respective communities of Anson, Cabarrus and

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# Uwharrie Capital Corp and Subsidiaries

## Consolidated Balance Sheets

(Amounts in thousands except share data)	March 31, 2008	March 31, 2007
<b>Assets</b>		
Cash and due from banks	\$ 14,053	\$ 14,208
Investment securities available for sale	49,552	38,581
Federal funds sold	1,425	21,025
Loans held for sale	818	2,400
Loans held for investment	325,397	296,878
Less: Allowance for loan losses	3,583	3,034
Net loans held for investment	<u>321,814</u>	<u>293,844</u>
Interest receivable	2,088	1,836
Premises and equipment, net	8,899	8,659
Federal Home Loan Bank stock	2,256	1,972
Bank-owned life insurance	5,364	5,176
Goodwill	987	987
Other assets	4,181	3,950
Total assets	<u>\$ 411,437</u>	<u>\$ 392,638</u>
<b>Liabilities</b>		
Deposits:		
Demand, noninterest-bearing	\$ 45,673	\$ 47,791
Interest checking and money market accounts	101,441	104,826
Savings accounts	26,201	27,175
Time deposits, \$100,000 and over	56,305	48,349
Other time deposits	97,142	86,844
Total deposits	<u>326,762</u>	<u>314,985</u>
Interest payable	486	574
Short-term borrowed funds	25,383	20,347
Long-term debt	24,690	25,451
Other liabilities	2,185	1,440
Total liabilities	<u>379,506</u>	<u>362,797</u>
<b>Shareholders' Equity</b>		
Common stock, \$1.25 par value: 20,000,000 shares authorized; issued and outstanding or in process of issuance 7,405,449 and 7,341,062 shares, respectively.		
Book value per share \$4.31 in 2008 and \$3.95 in 2007. (1)	9,257	9,176
Additional paid-in capital	13,418	13,134
Unearned ESOP compensation	(784)	(844)
Undivided profits	9,768	8,160
Accumulated other comprehensive income	272	215
Total shareholders' equity	<u>31,931</u>	<u>29,841</u>
Total liabilities and shareholders' equity	<u>\$ 411,437</u>	<u>\$ 392,638</u>

(1) Net income per share, book value per share and weighted average shares outstanding have been adjusted to reflect the 3% stock dividend in 2007.

# Uwharrie Capital Corp and Subsidiaries

## Consolidated Statements of Income

Three Months Ended  
March 31,

(Amounts in thousands except share data)

2008 2007

### Interest Income

Interest and fees on loans	\$ 5,969	\$ 5,654
Interest on investment securities	703	504
Other interest income	25	384
Total interest income	<u>6,697</u>	<u>6,542</u>

### Interest Expense

Interest paid on deposits	2,305	2,452
Interest on borrowed funds	499	606
Total interest expense	<u>2,804</u>	<u>3,058</u>

### Net Interest Income

Provision for loan losses	86	-
Net interest income after provision for loan losses	<u>3,807</u>	<u>3,484</u>

### Noninterest Income

Service charges on deposit accounts	530	503
Other service fees and commissions	748	698
Income from mortgage loan sales	441	255
Other income	146	86
Total noninterest income	<u>1,865</u>	<u>1,542</u>

### Noninterest Expense

Salaries and employee benefits	2,637	2,445
Occupancy expense	223	217
Equipment expense	140	159
Data processing	188	178
Other operating expenses	1,335	1,084
Total noninterest expense	<u>4,523</u>	<u>4,083</u>

Income before income taxes	1,149	943
Provision for income taxes	374	285
<b>Net Income</b>	<u>\$ 775</u>	<u>\$ 658</u>

### Net Income Per Common Share (1)

Basic	\$ 0.11	\$ 0.09
Assuming dilution	\$ 0.11	\$ 0.09

### Weighted Average Shares Outstanding (1)

Basic	7,272,006	7,469,051
Assuming dilution	7,328,525	7,561,498

## Uwharrie Capital Corp

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*Making a Difference!*

**We're on the Web!**  
**[www.UwharrieCapitalCorp.com](http://www.UwharrieCapitalCorp.com)**



**Uwharrie Capital Corp**

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Stanly counties. When our private investment gain is also contributing to positive developments in the markets we serve, then American capitalism is at its best and our banks are doing the job for which they were chartered.

We are pleased to share with you these positive results for the first quarter of 2008. Please continue to refer your friends, family and business associates to your bank. Your continued support is appreciated.

Sincerely,

UWHARRIE CAPITAL CORP

A handwritten signature in blue ink, appearing to read "Roger L. Dick". The signature is written in a cursive style and is positioned above the printed name of the signatory.

Roger L. Dick  
President and Chief Executive Officer