UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2008

OR

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

For the transition period from ______ to ______.

COMMISSION FILE NUMBER 000-22062

UWHARRIE CAPITAL CORP
(Exact name of registrant as specified in its charter)

NORTH CAROLINA **(State or Other Jurisdiction of Incorporation or Organization)**	**56-1814206** **(I.R.S. Employer Identification No.)**
132 NORTH FIRST STREET **ALBEMARLE, NORTH CAROLINA** **(Address of Principal Executive Offices)**	**28001** **(Zip Code)**

Registrant's Telephone number, including area code: (704) 983-6181

N/A
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. x Yes ¨ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	¨	Accelerated filer	¨
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ¨ Yes x No

Indicate the number of shares outstanding of each of the classes of common stock issuer's as of the latest practicable date: 7,407,851 shares of common stock outstanding as of November 1, 2008.

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Uwharrie Capital Corp and Subsidiaries
Consolidated Balance Sheets

Part I. FINANCIAL INFORMATION
Item 1 - Financial Statements

	September 30, 2008 (Unaudited)	December 31, 2007*
	(dollars in thousands)	
ASSETS		
Cash and due from banks	$ 13,318	$ 13,765
Interest-earning deposits with banks	2,808	2,432
Securities available for sale, at fair value	43,009	51,005
Loans held for sale	1,073	2,916
Loans:		
Loans held for investment	341,830	321,987
Less allowance for loan losses	(4,143)	(3,510)
Net loans held for investment	337,687	318,477
Premises and equipment, net	10,297	8,751
Interest receivable	2,041	2,055
Federal Home Loan Bank stock	2,092	2,137
Bank owned life insurance	5,459	5,318
Goodwill	987	987
Other real estate owned	752	163
Other assets	5,801	3,938
Total assets	$ 425,324	$ 411,944
LIABILITIES		
Deposits:		
Demand noninterest-bearing	$ 48,437	$ 46,597
Interest checking and money market accounts	115,196	102,411
Savings deposits	25,886	26,200
Time deposits, $100,000 and over	57,409	54,729
Other time deposits	97,683	94,720
Total deposits	344,611	324,657
Short-term borrowed funds	9,461	31,928
Long-term debt	36,753	21,691
Interest payable	498	596
Other liabilities	2,222	1,498
Total liabilities	393,545	380,370
Off balance sheet items, commitments and contingencies (Note 6)		
SHAREHOLDERS' EQUITY		
Common stock, $1.25 par value: 20,000,000 shares authorized; shares issued and outstanding 7,407,851 and 7,414,707 shares respectively	9,259	9,268
Additional paid-in capital	13,408	13,453
Unearned ESOP compensation	(752)	(800)
Undivided profits	10,883	9,266
Accumulated other comprehensive income (loss)	(1,019)	387
Total shareholders' equity	31,779	31,574
Total liabilities and shareholders' equity	$ 425,324	$ 411,944

(*) Derived from audited consolidated financial statements

See accompanying notes

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Uwharrie Capital Corp and Subsidiaries
Consolidated Statements of Operations (Unaudited)

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
	(in thousands, except share and per share data)			
Interest Income				
Loans, including fees	$ 5,652	$ 6,174	$ 17,290	$ 17,693
Investment securities				
US Treasury	24	25	73	73
US Government agencies and corporations	376	376	1,331	972
State and political subdivisions	182	157	510	477
Other	17	38	83	112
Interest-earning deposits with banks and federal funds sold	16	76	59	711
Total interest income	6,267	6,846	19,346	20,038
Interest Expense				
Interest checking and money market accounts	345	639	1,092	2,015
Savings deposits	68	132	237	412
Time deposits, $100,000 and over	578	529	1,864	1,701
Other time deposits	888	1,052	2,966	3,051
Short-term borrowed funds	73	352	407	843
Long-term debt	395	260	1,014	972
Total interest expense	2,347	2,964	7,580	8,994
Net interest income	3,920	3,882	11,766	11,044
Provision for loan losses	529	18	786	(120)
Net interest income after provision for loan losses	3,391	3,864	10,980	11,164
Noninterest Income				
Service charges on deposit accounts	599	550	1,666	1,609
Other service fees and commissions	737	750	2,239	2,169
Loss on sale of securities	—	—	—	(76)
Gain on sale fixed assets/other assets	11	6	6	26
Income from mortgage loan sales	206	235	1,004	678
Other income	97	119	495	288
Total noninterest income	1,650	1,660	5,410	4,694
Noninterest Expense				
Salaries and employee benefits	2,620	2,493	7,921	7,414
Net occupancy expense	250	219	709	645
Equipment expense	178	150	474	456
Data processing costs	194	188	586	551
Other noninterest expense	1,300	1,364	3,907	3,704
Total noninterest expense	4,542	4,414	13,597	12,770
Income before income taxes	499	1,110	2,793	3,088
Income taxes	156	336	903	939
Net income	$ 343	$ 774	$ 1,890	$ 2,149
Net income per common share				
Basic	$ 0.05	$ 0.10	$ 0.25	$ 0.29
Diluted	$ 0.05	$ 0.10	$ 0.25	$ 0.29
Weighted average shares outstanding				
Basic	7,495,903	7,566,368	7,481,606	7,631,112
Diluted	7,541,820	7,703,672	7,525,329	7,743,681

See accompanying notes

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Uwharrie Capital Corp and Subsidiaries
Consolidated Statement of Changes in Shareholders' Equity (Unaudited)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Unearned ESOP Compensation	Undivided Profits	Other Comprehensive Income(Loss)	Total
			(in thousands, except share data)				
Balance, December 31, 2007	7,414,707	$9,268	$13,453	$ (800)	$ 9,266	$ 387	$ 31,574
Net income	—	—	—	—	1,890	—	1,890
Other comprehensive loss	—	—	—	—	—	(1,406)	(1,406)
Release of ESOP shares	—	—	12	48	—	—	60
Common stock issued pursuant to:							
Stock options exercised	69,742	87	213	—	—	—	300
Tax benefit of stock options exercised	—	—	26	—	—	—	26
Repurchase of common stock	(76,598)	(96)	(316)	—	—	—	(412)
Stock compensation expense	—	—	20	—	—	—	20
Adjustment to initially apply EITF 06-4	—	—	—	—	(273)	—	(273)
Balance, September 30, 2008	7,407,851	$9,259	$13,408	$ (752)	$10,883	$ (1,019)	$31,779

See accompanying notes

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Uwharrie Capital Corp and Subsidiaries
Consolidated Statements of Cash Flows (Unaudited)

	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
	(dollars in thousands)	
Cash flows from operating activities		
Net income	$ 1,890	$ 2,149
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	486	471
Net amortization of security premiums/discounts	(158)	(158)
Amortization of mortgage servicing rights	352	294
Provision for loan losses	786	(120)
Stock based compensation	20	34
Net realized loss on available sale securities	—	76
Income from mortgage loan sales	(1,004)	(678)
Proceeds from sales of loans held for sale	46,180	32,652
Origination of loans held for sale	(43,804)	(32,354)
(Gain) loss on sale of premises, equipment and other assets	5	(26)
Increase in cash surrender value of life insurance	(141)	(123)
Gain on sales of other assets	(11)	—
Release of ESOP shares	60	69
Net change in interest receivable	14	(335)
Net change in other assets	(1,583)	(612)
Net change in interest payable	(98)	(63)
Net change in other liabilities	451	401
Net cash provided by operating activities	3,445	1,677
Cash flows from investing activities		
Proceeds from sales, maturities and calls of securities available for sale	9,792	9,146
Purchase of securities available for sale	(3,920)	(15,542)
Net change in Federal Home Loan Bank stock	45	188
Net increase in loans	(19,994)	(21,399)
Proceeds from sales of premises, equipment and other assets	—	87
Purchase of premises and equipment	(2,037)	(586)
Proceeds from sales of foreclosed real estate	135	39
Net cash used in investing activities	(15,979)	(28,067)
Cash flows from financing activities		
Net increase in deposit accounts	19,954	7,950
Net increase (decrease) in short-term borrowed funds	(22,467)	12,665
Net increase (decrease) in long-term debt	15,062	(12,597)
Repurchase of common stock	(412)	(1,065)
Net proceeds from issuance of common stock	300	36
Tax benefit of stock options exercised	26	3
Net cash provided by financing activities	12,463	6,992
Decrease in cash and cash equivalents	(71)	(19,398)
Cash and cash equivalents, beginning of period	16,197	34,760
Cash and cash equivalents, end of period	$ 16,126	$ 15,362

See accompanying notes

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UWHARRIE CAPITAL CORP AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

Note 1 - Basis of Presentation

The financial statements and accompanying notes are presented on a consolidated basis including Uwharrie Capital Corp (the “Company”) and its subsidiaries, Bank of Stanly (“Stanly”), Anson Bank & Trust Co. (“Anson”), Cabarrus Bank & Trust Company (“Cabarrus”), Strategic Investment Advisors, Inc., (“SIA”), and Uwharrie Mortgage Inc. Stanly consolidates its subsidiaries, the Strategic Alliance Corporation, BOS Agency, Inc. and Gateway Mortgage, Inc., each of which is wholly-owned by Stanly.

The information contained in the consolidated financial statements is unaudited. In the opinion of management, the consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and material adjustments necessary for a fair presentation of results of interim periods, all of which are of a normal recurring nature, have been made. The results of operations for the interim periods are not necessarily indicative of the results that may be expected for an entire year. Management is not aware of economic events, outside influences or changes in concentrations of business that would require additional clarification or disclosure in the consolidated financial statements.

The organization and business of the Company, accounting policies followed by the Company and other information are contained in the notes to consolidated financial statements filed as part of the Company’s 2007 Annual Report on Form 10-K. This Quarterly report should be read in conjunction with such Annual Report.

Note 2 – Comprehensive Income

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available for sale securities, are reported as a separate component of the equity section of the balance sheet, such items, along with net income, are components of comprehensive income.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
	(in thousands)			
Net Income	$ 343	$ 774	$ 1,890	$2,149
Other comprehensive gain (loss)				
Unrealized gain (losses) on available for sale securities	(1,087)	397	(2,283)	126
Related tax effect	418	(153)	877	(48)
Reclassification of loss recognized in net income	—	—	—	76
Related tax effect	—	—	—	(29)
Total other comprehensive income (loss)	(669)	244	(1,406)	125
Comprehensive income (loss)	$ (326)	$ 1,018	$ 484	$2,274

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Note 3 – Per Share Data

On November 3, 2008, the Company's Board of Directors declared a 3% stock dividend payable on December 4, 2008 to shareholders of record on November 17, 2008. All information presented in the accompanying interim consolidated financial statements regarding earnings per share and weighted average number of shares outstanding has been computed giving effect to this stock dividend.

Basic and diluted net income per common share is computed based on the weighted average number of shares outstanding during each period after retroactively adjusting for stock dividends. Diluted net income per common share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the net income of the Company. On September 30, 2008 the Company had 89,798 shares that were anti-dilutive and were excluded from the diluted net income per common share computation.

Basic and diluted net income per common share have been computed based upon net income as presented in the accompanying consolidated statements of operations divided by the weighted average number of common shares outstanding or assumed to be outstanding. The computation of basic and dilutive earnings per share is summarized below:

	Three Months Ended September, 30		Nine Months Ended September 30,	
	2008	2007	2008	2007
Weighted average number of common shares outstanding	7,630,292	7,717,047	7,615,995	7,781,791
Effect of ESOP shares	(134,389)	(150,679)	(134,389)	(150,679)
Adjusted weighted average number of common shares used in computing basic net income per common share	7,495,903	7,566,368	7,481,606	7,631,112
Effect of dilutive stock options	45,917	137,304	43,723	112,569
Weighted average number of common shares and dilutive potential common shares used in computing diluted net income per common share	7,541,820	7,703,672	7,525,329	7,743,681

Note 4 – Investment Securities

Securities available for sale are summarized below:

	September 30, 2008	December 31, 2007
	(dollars in thousands)	
Amortized cost	$ 44,663	$ 50,378
Gross unrealized losses	(2,045)	(92)
Gross unrealized gains	391	719
Fair value	$ 43,009	$ 51,005

Management has evaluated these securities to determine whether they should be considered other-than-temporarily impaired at September 30, 2008. This evaluation considered, among other things, the extent and duration of the impairment, current and expected future yields, the

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Company's ability to continue to hold these securities in its portfolio and the issuers' credit ratings. The majority of the gross unrealized losses are related mortgage-backed securities portfolio. Further evaluations were made on these investments including analyzing prepayment rates, general market data, delinquency rates on the underlying mortgage loans and current and anticipated losses in foreclosure.

Based on these evaluations, the Company does not consider these investments to be other-than-temporarily impaired at September 30, 2008. Management expects to collect all contractual interest and principal payments and that recovery of these temporarily impaired securities will occur within a reasonable time frame. Management will continue to evaluate these securities on an ongoing basis, and if it is subsequently determined that an other than temporary impairment has occurred, the Company will record any such impairment as a charge to earnings.

Note 5 – Loans

	September 30, 2008	December 31, 2007
	(in thousands)	
Loans outstanding at period end:		
Commercial	$ 46,278	$ 37,724
Real estate-construction	51,971	46,546
Real estate-residential	137,253	135,959
Real estate-commercial	90,472	86,593
Consumer loans	15,697	15,022
All other loans	159	143
Total	$ 341,830	$ 321,987

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
	(in thousands)			
Analysis of the allowance for loan losses				
Balance at beginning of period	$ 3,657	$ 3,337	$ 3,510	$ 3,171
Provision charged (credited) to operations	529	18	786	(120)
Charge-offs	(63)	(31)	(230)	(194)
Recoveries	20	70	77	537
Net recoveries(charge-offs)	(43)	39	(153)	343
Balance at end of period	$ 4,143	$ 3,394	$ 4,143	$ 3,394

Note 6 - Commitments and Contingencies

The subsidiary banks are party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of their customers. These financial instruments include commitments to extend credit, lines of credit and standby letters of credit. These instruments involve elements of credit risk in excess of amounts recognized in the accompanying financial statements.

The banks' risk of loss with the unfunded loans and lines of credit or standby letters of credit is represented by the contractual amount of these instruments. The banks use the same credit policies in making commitments under such instruments as they do for on-balance sheet instruments. The amount of collateral obtained, if any, is based on management's credit evaluation of the borrower. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Credit card commitments are unsecured. At September 30, 2008, outstanding financial instruments whose contract amounts represent credit risk were approximately:

(in thousands)	
Commitments to extend credit	$72,878
Credit card commitments	10,527
Standby letters of credit	871
Total commitments	$84,276

Note 7 – Fair Value Disclosures

The Company adopted the provisions of Statement of Financial Accounting Statements (SFAS) No. 157 *Fair Value Measurements* (SFAS 157) and SFAS No. 159, *The Fair Value Option for Financial Assets and Liabilities* (SFAS 159) on January 1, 2008.

SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS 157 does not require any new fair value measurements, but clarifies and standardizes some divergent practices that have emerged since prior guidance was issued. SFAS 157 creates a three-level hierarchy under which individual fair value estimates are to be ranked based on the relative reliability of the inputs used in the valuation.

SFAS 157 defines fair value as the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities, the Company considers the principal or most advantageous market in which those assets or liabilities are sold and considers assumptions that market participants would use when pricing those assets or liabilities. Fair values determined using Level 1 inputs rely on active and observable markets to price identical assets or liabilities. In situations where identical assets and liabilities are not traded in active markets, fair values may be determined based on Level 2 inputs, which exist when observable data exists for similar assets and liabilities. Fair values for assets and liabilities for which identical or similar assets and liabilities are not actively traded in observable markets are based on Level 3 inputs, which are considered to be unobservable.

Among the Company's assets and liabilities, investment securities available for sale are reported at their fair values on a recurring basis. Certain other assets are adjusted to their fair value on a nonrecurring basis, including loans held for sale, which are carried at the lower of cost or market, loan servicing rights, where fair value is determined using similar assets with similar characteristics, when available, or based upon discounted cash flows using market-based assumptions, foreclosed real estate, which is carried at lower of cost or fair market value and goodwill, which is periodically tested for impairment. Deposits, short-term borrowings and long-term obligations are not reported at fair value.

The Company does not record loans at fair value on a recurring basis. However, from time to time, a loan is considered impaired and an allowance for loan losses is established. Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement are considered impaired. Once a loan is identified as individually impaired, management measures impairment in accordance with SFAS 114, *Accounting by Creditors for Impairment of a Loan,* (SFAS 114). The fair value of impaired loans is estimated using one of several methods, including collateral value, market value of similar debt, enterprise value, liquidation value and discounted cash flows. Those impaired loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceed the recorded investments in such loans. At September 30, 2008, substantially all of the total impaired loans were evaluated based on the fair value of the collateral. In accordance with SFAS 157, impaired loans where an allowance is established based on the fair value of collateral require classification in the fair value hierarchy. When the fair value of the collateral is based on an observable market price or a current appraised value, the Company records the impaired loan as nonrecurring Level 2. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the Company records the impaired loan as nonrecurring Level 3.

For assets and liabilities carried at fair value, the following table provides fair value information as of September 30, 2008:

	Total	Level 1	Level 2	Level 3
		(dollars in thousands)		
Investment securities available for sale	$43,009	$5,543	$37,466	$ —
Total assets at fair value	$43,009	$5,543	$37,466	$ —
Total liabilities at fair value	$ —	$ —	$ —	$ —

Prices for US Treasury and government agency securities are readily available in the active markets in which those securities are traded, and the resulting fair values are shown in the ‘Level 1 input’ column. Prices for mortgage-backed securities and for state, county and municipal securities are obtained for similar securities, and the resulting fair values are shown in the ‘Level 2 input’ column. Prices for all other non-marketable investments are determined based on various assumptions that are not observable. The fair values for these investment securities are shown in the ‘Level 3 input’ column. Non-marketable investment securities, which are carried at their purchase price, include those that may only be redeemed by the issuer.

The Company may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis in accordance with U.S. generally accepted accounting principles. These include assets that are measured at the lower of cost or market that were recognized at fair value below cost at the end of the period. Assets measured at fair value on a nonrecurring basis are included in the table below as of September 30, 2008:

	Total	Level 1	Level 2	Level 3
		(dollars in thousands)		
Loans	$10,834	$ —	$10,834	$ —
Other real estate owned	752	—	752	—
Total assets at fair value	$11,586	$ —	$11,586	$ —
Total liabilities at fair value	$ —	$ —	$ —	$ —

SFAS 159 allows an entity to elect to measure certain financial assets and liabilities at fair value with changes in fair value recognized in the income statement each period. The statement also requires additional disclosures to identify the effects of an entity’s fair value election on its earnings. Upon the adoption of SFAS 159, the Company did not elect to report any assets and liabilities at fair value.

Note 8 – Recent Accounting Pronouncements

SAB 109

Staff Accounting Bulletin No. 109 ("SAB 109"), *Written Loan Commitments Recorded at Fair Value Through Earnings* supersedes Staff Accounting Bulletin No. 105 by requiring the expected net future cash flows related to servicing a loan to be included in the measurement of all written loan commitments that are accounted for at fair value through earnings. The adoption of SAB 109 on January 1, 2008, did not have a significant impact on the Company's consolidated financial statements.

SFAS 157

Statement of Financial Accounting Standards No. 157 ("SFAS 157"), *Fair Value Measurements*, defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. The Company adopted the provisions of SFAS 157 on January 1, 2008 as discussed in Note 7 above.

SFAS 159

Statement of Financial Accounting Standards No. 159 ("SFAS 159"), *The Fair Value Option for Financial Assets and Financial Liabilities*, permits entities to choose to measure many financial instruments and certain other items at fair value. The objective of this standard is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This statement is effective for fiscal years beginning after November 15, 2007, with early adoption permitted under certain circumstances. The adoption of SFAS 159 did not have any impact on the Company's consolidated financial statements. See Note 7 above.

SFAS 161

In March of 2008, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 161, *"Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133" ("SFAS 161")*. SFAS 161 amends and expands the disclosure requirement of Statement No. 133 for derivative instruments and hedging activities to provide users of financial statements with an enhanced understanding of the derivative instrument's purpose, how it is accounted for, and its impact on the financial statements. This statement is effective for fiscal years beginning after November 15, 2008, with early adoption encouraged. The Company has chosen not to early adopt the provisions of SFAS 161. The Company has evaluated this statement and does not believe it will have a material effect on the Company's consolidated financial statements.

EITF 06-4

The Emerging Issues Task Force (EITF) reached a consensus at its September 2006 meeting regarding EITF 06-4, *Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements*. The scope of EITF 06-4 is limited to the recognition of a liability and related compensation costs for endorsement split-dollar life insurance policies that provide a benefit to an employee that extends to postretirement periods. Therefore, this EITF would not apply to a split-dollar life insurance arrangement that provides a specified benefit to an employee that is limited to the employee's active service period with an employer. This EITF 06-4 is effective for fiscal years beginning after December 15, 2007, with earlier application permitted. The Company adopted EITF 06-4 on January 1, 2008 and it had the effect of reducing beginning consolidated undivided profits by approximately $273,000.

From time to time, the FASB issues exposure drafts of proposed statements of financial accounting standards. Such exposure drafts are subject to comment from the public, to revisions by the FASB and to final issuance by the FASB as statements of financial accounting standards. Management considers the effect of the proposed statements on the consolidated financial statements of the Company and monitors the status of changes to and proposed effective dates of exposure drafts.

Reclassification

Certain amounts in the 2007 consolidated financial statements have been reclassified to conform to the 2008 presentation. The reclassifications had no effect on net income or shareholders’ equity as previously reported.

Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations

This Quarterly Report on Form 10-Q may contain certain forward-looking statements consisting of estimates with respect to the financial condition, results of operations and business of the Company that are subject to various factors which could cause actual results to differ materially from these estimates. These factors include, but are not limited to, general economic conditions, changes in interest rates, deposit flows, loan demand, real estate values, and competition; changes in accounting principles, policies, or guidelines; changes in legislation or regulation; and other economic, competitive, governmental, regulatory, and technological factors affecting the Company's operations, pricing, products and services.

Comparison of Financial Condition at September 30, 2008 and December 31, 2007.

During the nine months ended September 30, 2008, the Company's total assets increased $13.4 million, from $411.9 million to $425.3 million. During the nine months, loans held for investment increased $19.8 million or 6.2%, from $322.0 million at December 31, 2007 to $341.8 million at September 30, 2008. This increase, however, was offset by a decline in investment securities of $8.0 million and a decrease in loans held for sale of $1.8 million during the period.

Cash and cash equivalents decreased $71 thousand during the nine months ended September 30, 2008. Cash and due from banks declined $447 thousand, while interest-earning deposits with banks increased $376 thousand.

Investment securities decreased $8.0 million or 15.7% for the nine months. Market values have declined $2.3 million due to the recent downturn in the investment markets. Management believes this decline in investment market values is only temporary and does not expect to incur a loss at this time. The Company had $4.7 million in securities that matured during the period and $3.9 million in new securities purchased. The Company did have an $8 thousand investment in 400 shares of FNMA stock that were written off at the end of the period. The remainder of the decrease resulted primarily from normal mortgage backed securities pay down activity during the period.

As previously stated, loans held for investment increased $19.8 million to $341.8 million during the period ended September 30, 2008. The Company has experienced positive growth trends in all areas of its loan portfolio. The commercial and residential construction areas of the loan portfolio lead the way with growth of 22.7% and 11.7%, respectively. Loans held for sale decreased 63.2% or $1.8 million during the period. The allowance for loan losses was $4.1 million at September 30, 2008 which represents 1.21% of the loan portfolio.

Other changes in our consolidated assets related to premises and equipment, interest receivable, Federal Home Loan Bank stock, bank owned life insurance, other real estate owned and other assets. The Company has been renovating an office building to gain some much needed office space. These renovations were the leading factor in the increase of $1.5 million in fixed assets. Interest receivable declined $14 thousand, bank owned life insurance increased $141 thousand and other real estate owned increased $589 thousand. Other assets increased $1.9 million, resulting primarily from increases in the income tax benefit of $309 thousand and deferred income taxes of $877 thousand. Federal Home Loan Bank stock decreased $45 thousand. Federal Home Loan Bank stock ownership is a requirement for member banks that utilize Federal Home Loan Bank for borrowing funds. The amount of stock owned by each member bank is based primarily on the amount of borrowings outstanding.

Customer deposits, our primary funding source, experienced a $19.9 million increase during the nine months ended September 30, 2008, increasing from $324.7 million to $344.6 million.

Interest checking and money market accounts increased $12.8 million, while demand noninterest-bearing grew $1.8 million. Time deposits over $100,000 and other deposits experienced positive growth of $2.7 million and $3.0 million, respectively. These increases were offset by a decline in savings deposits of $314 thousand.

Total borrowings decreased $7.4 million for the period. Borrowings consist of both short-term and long-term borrowed funds. The Company utilizes both short-term and long-term advances from the Federal Home Loan Bank. At September 30, 2008, $28.0 million of the total borrowings of $46.2 million were comprised of Federal Home Loan Bank advances. The Company has also been conducting a private placement of junior subordinated debt during the period ending September 30, 2008. At the end of the period, the Company had placed $7.1 million.

Other liabilities increased from $1.5 million at December 31, 2007 to $2.2 million at September 30, 2008, an increase of $724 thousand. The Company has a supplemental retirement plan in place for four executive officers. The Company has purchased life insurance policies in order to provide future funding of benefit payments. As discussed in Note 8, with the adoption of EITF 06-4, *Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements*, the Company recorded a $273 thousand liability. This adjustment coupled with an increase in the reserve for income taxes were the primary factors associated with the increase in other liabilities.

At September 30, 2008, total shareholders' equity was $31.8 million, an increase of $205 thousand from December 31, 2007. Net income for the period was $1.9 million and the Company received $300 thousand from the exercise of stock options. These increases were offset by the repurchase of 76,598 shares of the Company's common stock at a cost of $412 thousand and unrealized losses on investment securities, net of tax, of $1.4 million. The Company also recorded a $273 thousand one-time cumulative adjustment to undivided profits for the adoption of EITF 06-4. At September 30, 2008, the Company and its subsidiary banks exceeded all applicable regulatory capital requirements.

Comparison of Results of Operations For the Three Months Ended September 30, 2008 and 2007.

Net Income

Uwharrie Capital Corp reported net income of $343 thousand, or $0.05 per basic share, for the three months ended September 30, 2008, as compared to $774 thousand, or $0.10 per basic share, for the three months ended September 30, 2007, a decrease of $431 thousand, or $0.05 per share.

Net Interest Income

The Company's primary source of income, net interest income, increased $38 thousand or 1.0% for the three months ended September 30, 2008, as compared to the same period for 2007. Refer to the nine month discussion on page 18 for further information.

Provision and Allowance for Loan Losses

The provision for loan losses was $529 thousand for the three months ending September 30, 2008 compared to $18 thousand for the same period in 2007. There were net loan charge-offs of $43 thousand for the three months ended September 30, 2008 as compared with net loan recoveries of $39 thousand during the same period of 2007. Refer to the Asset Quality discussion on page 19 for further information.

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Noninterest Income

The Company generates most of its revenue from net interest income; however, like all financial institutions, diversification of our earnings base is of major importance in our long term success. Total noninterest income decreased $10 thousand for the three month period ending September 30, 2008 as compared to the same period in 2007. Service charges on deposit accounts produced earnings of $599 thousand for the three months ended September 30, 2008. Other service fees and commissions experienced a 1.7% decrease for the comparable three month period. Growth in ATM fees of $24 thousand was offset by a decrease in investment fees of $28 thousand. Income from mortgage loan sales decreased $29 thousand from $235 thousand for the quarter ended September 30, 2007 to $206 thousand for the same period in 2008. The slow down in the economy and the current problems in the mortgage industry attributed to the decrease in mortgage loan sales.

Noninterest Expense

Noninterest expense for the quarter ended September 30, 2008 was $4.5 million compared to $4.4 million for the same period of 2007, an increase of $128 thousand. Salaries and employee benefits, the largest component of noninterest expense, increased $127 thousand, from $2.5 million for the quarter ending September 30, 2007 to $2.6 million for the same period in 2008. The Company has a non-qualifying deferred compensation plan for certain executive officers. The costs associated with this plan increased $106 thousand for the comparable periods. This increase coupled with normal salary increases contributed to the overall increase in noninterest expense. Net occupancy expense and equipment expense had a combined increase of $59 thousand related to the aforementioned renovations to a new office building. Other noninterest expense decreased $64 thousand for the comparable three month periods. The table below reflects the composition of other noninterest expense.

Other noninterest expense

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007
	(in thousands)	
Professional fees and services	$ 179	$ 212
Marketing and donations	146	136
Office supplies and printing	62	60
Telephone and data lines	57	58
Electronic banking expense	220	182
Software amortization and maintenance	104	96
Loan collection expense	46	36
Shareholder relations expense	43	50
Dues and subscriptions	32	30
Postage	45	44
Subordinated debt issue cost	7	127
Other	359	333
Total	$ 1,300	$ 1,364

Income Tax Expense

The Company had income tax expense of $156 thousand for the three months ended September 30, 2008 resulting in an effective tax rate of 31.3% compared to income tax expense of $336 thousand and an effective rate of 30.3% in the 2007 period. Income taxes computed at the statutory rate are reduced primarily by the eligible amount of interest earned on state and municipal securities, tax free municipal loans and income earned on bank owned life insurance. The increase in the effective tax rate resulted primarily from the decrease in the level of such tax free income as a percentage of income before income taxes in the current year quarter compared to the 2007 quarter.

Comparison of Results of Operations For the Nine Months Ended September 30, 2008 and 2007.

Net Income

Uwharrie Capital Corp reported net income of $1.9 million or $0.25 per basic share, for the nine months ended September 30, 2008, as compared to $2.1 million, or $0.29 per basic share, for the nine months ended September 30, 2007, a decrease of $259 thousand, or $0.04 per share.

Net Interest Income

As with most financial institutions, the primary component of earnings for our banks is net interest income. Net interest income is the difference between interest income, principally from loan and investment securities portfolios, and interest expense, principally on customer deposits and borrowings. Changes in net interest income result from changes in volume, spread and margin. For this purpose, volume refers to the average dollar level of interest-earning assets and interest-bearing liabilities, spread refers to the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities, and margin refers to net interest income divided by average interest-earning assets. Margin is influenced by the level and relative mix of interest-earning assets and interest-bearing liabilities, as well as by levels of noninterest-bearing liabilities and capital.

Net interest income for the nine months ended September 30, 2008 was $11.8 million as compared with $11.0 million during the nine months ended September 30, 2007, resulting in an increase of $722 thousand, or 6.5%. During the nine months ended September 30, 2008 our growth in the volume of interest-earning assets outpaced the growth in interest-bearing liabilities by $897 thousand. The average yield on our interest–earning assets decreased 72 basis points to 6.77%, while the average rate we paid for our interest-bearing liabilities decreased 85 basis points. The Company’s assets that are interest rate sensitive adjust at the time the Federal Reserve Open Market Committee adjusts interest rates, while, interest-bearing time deposits adjust at the time of maturity. The fore mentioned decreases resulted in an increase of 13 basis points in our interest rate spread, from 3.64% in 2007 to 3.77% in 2008. Our net interest margin was 4.17% and 4.19% for the comparable periods in 2008 and 2007.

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The following table presents average balance sheets and a net interest income analysis for the nine months ended September 30, 2008 and 2007:

Average Balance Sheet and Net Interest Income Analysis
For the Nine Months Ended September 30,

(in thousands)

	Average Balance		Income/Expenses		Rate/Yield	
	2008	2007	2008	2007	2008	2007
Interest-earning assets:						
Taxable securities	$ 36,763	$ 29,044	$ 1,493	$ 1,165	5.42%	5.36%
Nontaxable securities (1)	14,298	12,932	504	469	7.66%	7.88%
Short-term investments	3,801	18,789	59	711	2.07%	5.06%
Taxable loans	330,286	299,894	17,201	17,550	6.96%	7.82%
Non-taxable loans (1)	3,909	3,955	89	143	7.45%	7.87%
Total interest-earning assets	389,057	364,614	19,346	20,038	6.77%	7.49%
Interest-bearing liabilities:						
Interest-bearing deposits	286,882	263,537	6,159	7,179	2.87%	3.64%
Short-term borrowed funds	17,589	27,075	407	843	3.09%	4.16%
Long-term debt	33,117	21,671	1,014	972	4.09%	6.00%
Total interest bearing liabilities	337,588	312,283	7,580	8,994	3.00%	3.85%
Net interest spread	$ 51,469	$ 52,331	$11,766	$11,044	3.77%	3.64%
Net interest margin (1) (% of earning assets)					4.17%	4.19%

(1) Yields related to securities and loans exempt from income taxes are stated on a fully tax-equivalent basis, assuming a 38.55% tax rate.

Provision and Allowance for Loan Losses

The provision for loan losses was $786 thousand for the nine months ending September 30, 2008 compared to ($120) thousand for the same period in 2007. There were net loan charge-offs of $153 thousand for the nine months ended September 2008 as compared with net loan recoveries of $343 thousand during the same period of 2007. Refer to the Asset Quality discussion on page 19 for further information.

Noninterest Income

The Company generates most of its revenue from net interest income; however, like all financial institutions, diversification of our earnings base is of major importance in our long term success. Total noninterest income increased $716 thousand, from $4.7 million for the nine months ended September 30, 2007 to $5.4 million for the same period in 2008. Service charges on deposit accounts produced earnings of $1.7 million for the nine months ended September 30, 2008. Other service fees and commissions experienced a 3.2% increase for the comparable nine month period. Growth in both ATM fees and investment fees on managed accounts of $85 thousand enhanced this increase. Income from mortgage loan sales increased $326 thousand from $678 thousand for the nine months ended September 30, 2007 to $1.0 million for the same period in 2008. The interest rate reductions during the period attributed to the increase in mortgage loan sales. The Company owns shares of VISA stock and MasterCard stock. VISA redeemed a portion of this stock during the first quarter of 2008 resulting in other income of $59 thousand. We sold all of the shares of MasterCard during second quarter of 2008 producing other income of $162 thousand. This income was the primary reason for the increase in other income for the comparable periods.

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Noninterest Expense

Noninterest expense for the nine months ended September 30, 2008 was $13.6 million compared to $12.8 million for the same period of 2007, an increase of $827 thousand. Salaries and employee benefits, the largest component of noninterest expense, increased $507 thousand, from $7.4 million for the nine months ended September 30, 2007 to $7.9 million for the same period in 2008. The Company has a non-qualifying deferred compensation plan for certain executive officers. The costs associated with this plan increased $272 thousand for the comparable periods. This increase coupled with normal salary increases contributed to the overall increase in noninterest expense. Other noninterest expense increased $203 thousand for the comparable nine month periods. The table below reflects the composition of other noninterest expense.

Other noninterest expense

	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
	(in thousands)	
Professional fees and services	$ 517	$ 588
Marketing and donations	463	413
Office supplies and printing	197	200
Telephone and data lines	179	174
Electronic banking expense	606	511
Software amortization and maintenance	327	318
Loan collection expense	173	104
Shareholder relations expense	144	150
Dues and subscriptions	109	100
Postage	141	123
Subordinated debt issue cost	132	130
Other	919	893
Total	$3,907	$3,704

Income Tax Expense

The Company had income tax expense of $903 thousand for the nine months ended September 30, 2008 resulting in an effective tax rate of 32.3% compared to income tax expense of $939 thousand and an effective rate of 30.4% in the 2007 period. Income taxes computed at the statutory rate are reduced primarily by the eligible amount of interest earned on state and municipal securities, tax free municipal loans and income earned on bank owned life insurance. The increase in the effective tax rate resulted primarily from the decrease in the level of such tax free income as a percentage income before income taxes in the current year period compared to the 2007 period.

Asset Quality

The Company's allowance for loan losses is established through charges to earnings in the form of a provision for loan losses. The allowance is increased by provisions charged to operations and by recoveries of amounts previously charged off, and reduced by loans charged off. Management evaluates the adequacy of the allowance at least quarterly. In evaluating the adequacy of the allowance, management considers the growth, composition and industry diversification of the portfolio; historical loan loss experience; current delinquency levels; adverse situations that may affect a borrower's ability to repay; estimated value of any underlying collateral; prevailing economic conditions and other relevant factors. The Company's credit administration function, through a review process, validates the accuracy of the initial risk grade assessment. In addition, as a given loan's credit quality improves or deteriorates, the credit administration department has the responsibility to change the borrower's risk grade accordingly. For loans determined to be impaired, the allowance is based either on discounted cash flows using the loan's initial effective interest rate or on the fair value of the collateral for certain collateral dependent loans. This evaluation is inherently subjective, as it requires material estimates, including the amounts and timing of future cash flows expected to be received on impaired loans, which may be susceptible to significant change. In addition, regulatory agencies, as an integral part of their examination process, periodically review the allowance for loan losses and may require additions for estimated losses based upon judgments different from those of management.

Management uses the risk-grading program to facilitate the evaluation of probable inherent loan losses and the adequacy of the allowance for loan losses. In this program, risk grades are initially assigned by loan officers and reviewed and monitored by credit administration. The Company strives to maintain its loan portfolio in accordance with conservative loan underwriting policies that result in loans specifically tailored to the needs of its market area. Every effort is made to identify and minimize the credit risks associated with such lending strategies. The Company has no foreign loans and does not engage in significant lease financing or highly leveraged transactions. The Company follows a loan review program designed to evaluate the credit risk in the loan portfolio. This process includes the maintenance of an internally classified watch list that helps management assess the overall quality of the loan portfolio and the adequacy of the allowance for loan losses. In establishing the appropriate classification for specific assets, management considers, among other factors, the estimated value of the underlying collateral, the borrower's ability to repay, the borrower's payment history and the current delinquent status. As a result of this process, certain loans are categorized as substandard, doubtful or loss and reserves are allocated based on management's judgment and historical experience.

The allowance for loan losses represents management's estimate of an appropriate amount to provide for known and inherent losses in the loan portfolio in the normal course of business. While management believes that it uses the best information available to establish the allowance for loan losses, future adjustments to the allowance may be necessary and results of operations could be adversely affected if circumstances differ substantially from the assumptions used in making the determinations. Furthermore, while management believes it has established the allowance for loan losses in conformity with generally accepted accounting principles, there can be no assurance that regulators, in reviewing the Company's portfolio, will not require an adjustment to the allowance for loan losses. In addition, because future events affecting borrowers and collateral cannot be predicted with certainty, there can be no assurance that the existing allowance for loan losses is adequate or that increases will not be necessary, should the quality of any loans deteriorate as a result of the factors discussed herein. Any material increase in the allowance for loan losses may adversely affect the Company's financial condition and results of operations.

The provision for loan losses was $786 thousand for the nine months ended September 30, 2008 as compared to ($120) thousand for the same period in 2007. Additionally, the allowance expressed as a percentage of loans held for investment was 1.21% at September 30, 2008 compared to 1.09% December 31, 2007. During the first nine months of 2008 the levels of our impaired loans, which includes all loans in nonaccrual status and other loans deemed by management to be impaired, were $14.0 million compared to $7.5 million at December 31, 2007, an increase of $6.5 million. Of the $14.0 million in impaired loans at September 30, 2008, $10.8 million carried an allowance of $2.0 million while $3.2 million were evaluated and required no specific allowance. The level of specific reserves identified for impaired loans increased by $772 thousand for the same period. These increases were due primarily to the impairment of loan relationships with two customers of $5.1 million, for which a $646 thousand specific reserve has been provided. Net loan recoveries for the nine months ending September 30, 2007 were $343 thousand, while the same period in 2008 experienced net loan charge-offs of $152 thousand.

The allowance as a percentage of total impaired loans has increased from 35.7% at December 31, 2007 to 48.9% at September 30, 2008. The portion of the allowance specifically allocable to impaired loans decreased from 16.8% at December 31, 2007 to 14.4% at September 30, 2008. Management believes the current level of allowance for loan losses to be appropriate given the risk inherence in the loan portfolio at this time.

The following nonperforming loan table shows the comparison for the nine months ended September 30, 2008 to December 31, 2007:

Nonperforming Assets
(dollars in thousands)

	September 30, 2008	December 31, 2007
Nonperforming assets:		
Nonaccrual loans	$ 5,828	$ 1,795
Other real estate owned	752	163
Total nonperforming assets	$ 6,580	$ 1,958
Accruing loans past due 90 days or more	$ 10	$ —
Allowance for loans losses	4,143	3,510
Nonperforming loans to total loans	1.70%	0.56%
Allowance for loan losses to total loans	1.21%	1.09%
Nonperforming assets to total loans and other real estate	1.92%	0.61%
Nonperforming assets to total assets	1.55%	0.48%
Allowance for loan losses to Nonperforming loans	71.10%	195.57%

Liquidity and Capital Resources

The objective of the Company's liquidity management policy is to ensure the availability of sufficient cash flows to meet all financial commitments and to capitalize on any opportunities for expansion. Liquidity management addresses the ability to meet deposit withdrawals on demand or at contractual maturity, to repay borrowings as they mature and to fund new loans and investments as opportunities arise.

The Company's primary sources of internally generated funds are principal and interest payments on loans, cash flows generated from operations and cash flow generated by investments. Growth in deposits is typically the primary source of funds for loan growth. The Company and its subsidiary banks have multiple funding sources in addition to deposits that can be used to increase liquidity and provide additional financial flexibility. These sources are the subsidiary banks' established federal funds lines with correspondent banks aggregating $20.9 million at September 30, 2008, with available credit of $20.9 million, established borrowing relationships with the Federal Home Loan Bank, with available credit of $29.1 million, access to borrowings from the Federal Reserve Bank discount window, and the sale of securities under agreements to repurchase. In addition, the Company issues commercial paper and has secured long-term debt from other sources. Total debt from these sources aggregated $46.2 million at September 30, 2008, compared to $53.6 million at December 31, 2007.

Banks and bank holding companies, as regulated institutions, must meet required levels of capital. The FDIC and the Federal Reserve, the primary federal regulators of the Company and its subsidiary banks, have adopted minimum capital regulations or guidelines that categorize components and the level of risk associated with various types of assets.

Regulatory guidelines require a minimum of total capital to risk-adjusted assets ratio of 8 percent and a Tier I leverage ratio of 4 percent. Banks, which meet or exceed a Tier I ratio of 6 percent, a total capital ratio of 10 percent and a Tier I leverage ratio of 5 percent are considered "well capitalized" by regulatory standards. Financial institutions are expected to maintain a level of capital commensurate with the risk profile assigned to their assets in accordance with those guidelines.

Both the Company and its subsidiary banks have maintained capital levels exceeding minimum levels for "well capitalized" banks and bank holding companies. The Company expects to continue to exceed these minimums without altering current operations or strategy. The Company began a private placement of subordinated debt during the second quarter of 2008 that will qualify as regulatory capital. At September 30, 2008, the Company had $7.1 million in subordinated debt. The placement will continue into the fourth quarter

Accounting and Regulatory Matters

Management is not aware of any known trends, events, uncertainties or current recommendations by regulatory authorities that will have or that are reasonably likely to have a material effect on the Company's liquidity, capital resources, or other operations.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The Company's primary market risk is interest rate risk. Interest rate risk is the result of differing maturities or repricing intervals of interest-earning assets and interest-bearing liabilities and the fact that rates on these financial instruments do not change uniformly. These conditions may impact the earnings generated by the Company's interest earning assets or the cost of its interest-bearing liabilities, thus directly impacting the Company's overall earnings. The Company's management actively monitors and manages interest rate risk. One way this is accomplished is through the development of and adherence to the Company's asset/liability policy. This policy sets forth management's strategy for matching the risk characteristics of the Company's interest-earning assets and liabilities so as to mitigate the effect of changes in the rate environment. The Company's market risk profile has not changed significantly since December 31, 2007.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

At the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's principal executive officer and principal financial officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Securities Exchange Act Rule 13a-15.

Based upon that evaluation, the principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures were effective (1) to provide reasonable assurance that information required to be disclosed by the Company in the reports filed or submitted by it under the Securities Exchange Act was recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (2) to provide reasonable assurance that information required to be disclosed by the Company in such reports is accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate to allow for timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

Management of the Company has evaluated, with the participation of the Company's principal executive officer and principal financial officer, changes in the Company's internal controls over financial reporting (as defined in Rule 13a -15(f) and 15d – 15(f) of the Exchange Act) during the third quarter of 2008. In connection with such evaluation, the Company has determined that there were no changes in the Company's internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. The Company reviews its disclosure controls and procedures, which may include its internal control over financial reporting, on an ongoing basis, and may from time to time make changes aimed at enhancing their effectiveness and to ensure that the Company's systems evolve with its business.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

Neither the Company nor its subsidiaries, nor any of their properties are subject to any legal proceedings other than ordinary routine litigation incidental to their business.

Item 1A. Risk Factors

Not applicable.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Trades of the Company's stock occur in the Over-the-Counter marketplace from time to time. The Company also has in place a Stock Repurchase Plan that provides liquidity to its shareholders in the event a willing buyer is not available to purchase shares that are offered for sale. The Company is under no obligation to purchase shares offered; however, it will accommodate such offers as its Stock Repurchase Plan allows. This plan was initially adopted in 1995 and is approved annually by resolution of the Board of Directors or the Executive Committee of the Board.

On April 15, 2008, the Executive Committee of Uwharrie Capital Corp mandated by resolution that the Company could repurchase 48,865 shares of its common stock at a cost of $261,428.

On June 30, 2008, the Executive Committee of Uwharrie Capital Corp mandated by resolution that the Company could repurchase 5,427 shares of its common stock at a cost of $29,431.

The Company did not repurchase any shares during the third quarter ending September 30, 2008.

Item 3. Defaults Upon Senior Securities

None

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

None

Item 5. Other Information

None

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Item 6. Exhibits

Exhibit Number	Description of Exhibit
3.1	Registrant's Articles of Incorporation *
3.2	Registrant's By-laws *
4	Form of stock certificate *
10.1	Incentive Stock Option Plan, as amended *
10.2	Employee Stock Ownership Plan and Trust **
10.3	2006 Incentive Stock Option Plan ***
10.4	2006 Employee Stock Purchase Plan ***
10.5	Amendment to the Employee Stock Ownership Plan and Trust ****
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes- Oxley Act of 2002 (filed herewith)
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes- Oxley Act of 2002 (filed herewith)
32	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)

* Incorporated by reference from exhibits to Registrant's Registration Statement on Form S-4 (Reg. No. 33-58882).
** Incorporated by reference to Registrant's Annual Report on Form 10-KSB for the Fiscal year ended 1999.
*** Incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the Quarter ended June 30, 2006.
**** Filed here within this report.

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Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned who is thereunto duly authorized.

	UWHARRIE CAPITAL CORP (Registrant)
Date: November 7, 2008	By: /s/ Roger L. Dick Roger L. Dick President and Chief Executive Officer
Date: November 7, 2008	By: /s/ Robert O. Bratton Robert O. Bratton Principal Financial Officer

EXHIBIT INDEX

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* Incorporated by reference
** Filed here within this report.

EX-10.5 2 dex105.htm AMENDMENT TO THE EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST
Exhibit 10.5

AMENDMENT 2008-1
TO THE
UWHARRIE CAPITAL CORP
EMPLOYEE STOCK OWNERSHIP PLAN

Pursuant to Section 9.1 of the Uwharrie Capital Corp Employee Stock Ownership Plan (the "Plan"), and notwithstanding any other provision in the Plan to the contrary, the Board of Directors of Uwharrie Capital Corp (the "Employer") hereby amends the Plan to correct a scrivener's error from a prior amendment to the Plan and to correct provisions related to the use of forfeitures in the Plan. The first two amendments below are corrective amendment which was requested by the Internal Revenue Service during the review of the Plan for an updated favorable determination letter. The third amendment is a corrective provision on the use of forfeitures.

1. Effective January 1, 2002 through January 1, 2007, Section 1.22 of the Plan is amended to provide that any forfeitures that occur under the Plan will be allocated to all eligible participants along with the allocation of the employer contributions and shall read as follows:

"1.22 "Forfeiture" Under this Plan, Participants accounts are 100% Vested at all times. Any amounts that may otherwise be forfeited under the Plan pursuant to Section 3.6 shall be allocated to Participants together with the annual Employer contribution made under Section 4.1(a). Amounts that are forfeited under the Plan pursuant to Section 7.4(b) shall be used to either reduce annual Employer contributions made under Section 4.1(a) or pay administrative expenses as set forth in Section 4.3(g)."

2. Effective January 1, 2007, the first full sentence of Section 1.22 is removed in its entirety to reflect the addition of a vesting schedule in Section 7.4(b).

3. Effective January 1, 2007, Section 4.3(g) of the Plan is amended to reflect the addition of a vesting schedule in Section 7.4(b) and shall read as follows:

"(g) Forfeitures. Effective January 1, 2007, amounts that are forfeited under this Plan will be used to either reduce the annual Employer contributions made under Section 4.1(a) or , in the discretion of the Employer, to pay administrative expenses related to the administration of the Plan and Trust."

The Employer has caused this document to be signed this the 16th day of September, 2008.

UWHARRIE CAPITAL CORP.

By: /s/ Roger L. Dick

Its: /s/ President and Chief Executive Officer

Exhibit 31.1

UWHARRIE CAPITAL CORP

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

Pursuant to Rule 13a -14(a)

I, Roger L. Dick, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended September 30, 2008 of Uwharrie Capital Corp the "registrant";
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchanged Act Rules 13a – 15(f) and 15d – 15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2008

/s/ Roger L. Dick

Roger L. Dick

President and Chief Executive Officer

Exhibit 31.2

UWHARRIE CAPITAL CORP

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

Pursuant to Rule 13a -14(a)

I, Robert O. Bratton, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended September 30, 2008 of Uwharrie Capital Corp the “registrant”;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchanged Act Rules 13a – 15(f) and 15d – 15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 7, 2008

/s/ Robert O. Bratton

Robert O. Bratton

Principal Financial Officer

Exhibit 32

Certification pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

The undersigned each hereby certifies that, to his knowledge, **(i)** the Form 10-Q filed by Uwharrie Capital Corp (the "Issuer") for the quarter ended September 30, 2008, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and **(ii)** the information contained in that report fairly presents, in all material respects, the financial condition and results of operations of the Issuer on the dates and for the periods presented therein.

Date: November 7, 2008

/s/ Roger L. Dick
Roger L. Dick
President and Chief Executive Officer

Date: November 7, 2008

/s/ Robert O. Bratton
Robert O. Bratton
Principal Financial Officer