

2008 Annual Report

In Uncertain Times
An Unwavering Commitment

Southern
Community
FINANCIAL CORPORATION

A Firm *Foundation*



From the beginning, we have been determined to build a bank for the long term. We have advised our investors not to look for fast returns but to count on solid strategic growth.

Taking the long-term view means building a strong foundation. In a dozen years, Southern Community has established an infrastructure that will support our growth for years to come, a clear and vigorous internal culture, and an entrepreneurial approach to expanding our business. As much as anything, our commitment to enduring relationships has not changed. These strengths, combined with the excellent reputation built by our employees, remain the foundation of our efforts every day.

A solid foundation is never more important than when the winds are raging and the rain is pelting down. Those forces gathered strength in 2008. To some extent they have obscured the fundamental health and soundness of our bank. When the sun comes out – and it will – we expect Southern Community to be standing strong, better than ever from having successfully weathered the storm.

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Southern Community Financial Corporation is a financial holding company headquartered in Winston-Salem, N.C. The corporation's common stock is listed on the NASDAQ Global Select Market under the symbol SCMF, and its trust preferred securities are listed under the symbol SCMFO.

The lead subsidiary, Southern Community Bank and Trust, founded in 1996, is a state-chartered bank that had over \$1.8 billion in assets and 22 banking locations in North Carolina as of December 31, 2008.

A full-service financial institution, Southern Community Bank and Trust specializes in serving retail customers, small and medium-sized businesses and residential homebuilders.

Visit our website at www.smallenoughtocare.com.

Executive Management Team: (back row)
Jeff Clark, Scott Bauer, Rob Davis,
(front row) Jim Monroe, Merle Andrews,
Paul Neil, Jim Hastings.



Report of Management

It is safe to say that in 2008 all of us saw changes unprecedented in our lifetimes. And like all financial institutions, Southern Community was subject to scrutiny and hard questions from shareholders who were struggling to understand what had gone wrong with the whole system and why hard-working Americans were having to pay the price.

At a time like this, it helps to know who you are and what you stand for. In that regard we are fortunate. Our employees know, our customers know, and our shareholders know that Southern Community puts service first. Living by our foundation, *Small Enough to Care*, has made it a little easier to establish priorities and make decisions even in extremely challenging times.

It has always been our conviction that senior and executive management needs are subordinate to our employees' needs. Accordingly, our senior people did not receive either bonuses or salary increases for 2008 performance. Knowing what we stand for also determines how we communicate about the impact of the economic recession on our plans and our progress. We welcome questions; we answer candidly.

An Unwavering Commitment

The “community” part of our name took on added meaning over the past year. The hits that our customers, our colleagues, our cities were taking made us aware of the extent to which we are all in this together. And it strengthened our resolve to weather this storm together.

Our customers in the building industry have been particularly hard hit. We have heard of, and from, builders whose other banks had shut the door on them. We have been determined to work with our customers in the construction industry in any way we can, confident that these relationships will continue and thrive when better days return. To help our builders who had houses financed with us still unsold 12 months after completion, we developed a buyer-incentive program. We offer \$10,000, no strings attached, to buyers of these houses for use toward the purchase price. We believe this will help not only the builders but people who have been waiting to purchase a home. We also have in-house mortgage programs to assist buyers, if needed.

Commitment

We are underlining our commitment to our employees, to whom we owe our success and our solid reputation. We have assured them that their jobs are secure. Below the senior management level, we are making money available for salary increases based on performance. We have urged our employees to let their supervisors know if they need help because of a spouse’s job loss or other catastrophic event.

Trying Times Bring Opportunities

Our management team has been quick to understand that tough times can be the best teachers. I am proud of how our employees have responded to big challenges and swift changes. As an example, construction loans have been a mainstay of our business, and 2008 was a difficult year for builders. With this tough scenario, we have put together a real estate team to work with affected builders to complete homes and to help get them sold. Without a doubt, we will be a smarter and safer lender going forward.

We have been alert to any opportunities that accompany this major economic downturn. An obvious one was the Treasury Capital Program, better known as TARP. Though public misunderstanding of this program persists, TARP funds are enabling us to continue with our long-range plans for growth. As other sources of capital dried up, the \$43 million we received through the Treasury helps us to continue making loans to our customers and offers protection against what appears to be an extended economic downturn.

We finished 2008 with essentially the same number of people on the payroll as we started the year with, though we added new products and services as well as hundreds of new customers. We have learned to work leaner and smarter, a lesson that will stick when brighter days return.

Opportunities

We have been alert to changes in the competitive environment. There is no question that many people in our communities have had their faith in some banks shaken. They feel more comfort with Southern Community, with people they know and with a solid reputation for integrity and prudence. We are not waiting for these people to break down our doors to come to us. We stepped up our efforts to win them as customers in 2008, giving our employees incentives for building the business and developing even more competitive products and services.

Adhering to Our Core Values

Amidst all the turmoil, the majority of our strategies and plans went forward as anticipated. We continue to be a safe, sound, well-capitalized bank with very good liquidity.

Our financial strength was greatly enhanced during the last two years with the appointment of three industry veterans, Jim Hastings as Chief Financial Officer, Jim Monroe as Treasurer, and Craig Call as Controller. The appointment of Steve Robertson brought to three the number of financial experts we now have on the Board of Directors, a rarity for a bank board.

We continued our aggressive focus on commercial deposits, choosing one of our senior vice presidents, Robert Rogers, to head up a restructured and expanded department. One result has been to focus our sales people to make even more deposit calls. They report businesses are consistently amazed to find that a community bank has all the services they want and need. They also find Southern Community to be very competitive with the larger banks. A new product we developed is our Free Business 500 account, which offers business customers a free checking account with 500 free transactions per month – a significant benefit and a competitive first in our market. On the retail side, the introduction of our high-interest ME Banking account far exceeded expectations and brought us deposits from customers all over the country.

As planned, we built up our Wealth Management services this year, and we now have the full-service capabilities we know these customers expect. Among them are expanded 1031 tax-deferred exchange products and services. We formed a strategic alliance with Nationwide Exchange Services, in keeping with our practice of seeking out the best solutions in the market, and we hired an expert dedicated to 1031 exchanges.

Our steady efforts to be more efficient really started paying off in 2008. Incrementally it is costing us less and less to generate revenue. More revenue is dropping to the bottom line as we have completed major investments in our infrastructure over the past four years.

We have taken many opportunities to assure our customers that despite what they are hearing about the problems in our industry, Southern Community is in good shape. We let them know that we did not own any Fannie Mae or Freddie Mac preferred stock and were not affected by the placing of those agencies in conservatorship. We announced that we had been rated as a four-star, “Excellent” bank by Bauer Financial, an independent evaluation firm. We let our customers know that their deposits with us are insured to the maximums allowed by the Federal Deposit Insurance Corporation. We assured them that our total risk-based capital at year end was 13.75%, well above the 10% regulatory minimum.

In this most challenging year, Southern Community remained profitable, though, of course, not as profitable as we would have liked. We had excellent growth in loans and deposits; and our retail business, commercial business, and wealth management all did well in 2008. Countering that were issues in our credit portfolio, with 80% of them related to our builders and the building industry. We continued our commitment to the Raleigh and Asheville markets as planned and will see the opening of full-scale regional offices in those cities in 2009. Our capital and liquidity provides the strongest assurance that we will get through this rough period and achieve all our potential.

Small enough to care

Core Values

In many ways, this year put us to the test. Our willingness to stick to our philosophy of doing what is right was tested. Our insistence on doing right by our customers – no matter what caused the problem, no matter what else was on our plate, no matter what others were doing – was tested in 2008.

And at the end of a year of mounting challenges and a steep hill to climb, we do know what we stand for, and we are still the bank we set out to be. We firmly believe that when the economy turns and all these obstacles are behind us, Southern Community will be in a great position for years to come.



F. Scott Bauer
Chief Executive Officer and Chairman of the Board of Directors

Financial Highlights

In this challenging environment, it is critical that a bank be sound and have sufficient resources to fortify itself against the impact of economic headwinds. In particular, a bank's overall financial strength is measured by its capital adequacy and its liquidity.

The following table illustrates Southern Community's capital strength in comparison to industry standards:

At December 31, 2008

	Actual	Minimum Requirements	Well-Capitalized Requirements
Total risk-based capital ratio	13.80%	8.00%	10.00%
Tier 1 risk-based capital ratio	12.40%	4.00%	6.00%
Leverage ratio	10.57%	4.00%	5.00%

The term "liquidity" refers to our ability to generate sufficient amounts of cash to meet our needs for funding loan originations, deposit withdrawals, maturities for borrowings, and operating expenses. We measure our liquidity position by giving consideration to both on- and off-balance sheet sources of funds on an ongoing basis. We create balance sheet liquidity through the use of our investment portfolio and through other liquid assets, such as due from banks and fed funds sold. At December 31, 2008, this balance sheet liquidity amounted to \$361.9 million, or 20% of total assets.

In addition, our ability to borrow funds on either a secured or unsecured basis is of major importance. Our additional off-balance sheet borrowing capacity is \$441.3 million, or 24% of total assets at December 31, 2008.

We believe our strength in capital and liquidity is critical to allow Southern Community to operate with safety and soundness during these unprecedented times.

TARP Demystified

Southern Community received capital from the U.S. Treasury in the initial funding of the TARP Capital Purchase Program. Unfortunately, the term "bail-out" has become synonymous with the TARP program. **We need to be clear about this: In receiving \$43 million through the program, we were not "bailed out." Nor did we need to be "bailed out."**

The initial TARP program was established to provide a source of capital for healthy financial institutions because traditional sources of capital were not available. The intent was for banks to use this capital to keep the economy moving and to continue to make loans to their customers.

Southern Community decided to take part in the program for those very reasons. Obtaining capital elsewhere had become more and more challenging, as well as extremely expensive. We wanted to continue to serve our customers' borrowing needs. We wanted to protect the bank against an extended economic downturn.

Most of all, having this infusion of capital means that we can keep moving forward. It means we have not had to call a halt to the enhanced products and services we have been developing to provide customers with better returns on their savings. It means we can continue to initiate programs that help home buyers and builders in this tough housing market.

We are doing our best to help our customers during these difficult times. This capital ensures we can continue to do so.

Keeping Faith *with Our Customers*

Think back to September 2008. The whole country seemed to be holding its breath, spellbound by the presidential campaign. The economic news grew more discouraging with each passing day. A sense that the United States was entering unknown territory had become pervasive.

Against this backdrop, Scott Boyles got the opportunity he'd been waiting for – the chance to own a business. Luwa USA, his employer, decided to divest itself of Logan Heating & Air Conditioning, a business unit Mr. Boyles had been managing for 10 years but one that no longer fit Luwa's strategic direction. Mr. Boyles had to decide quickly whether he wanted to try to buy the business.

"I had options," he said. "I also managed branch operations across North and South Carolina. I could continue with Luwa or take the entrepreneurial route. I'd always hoped to own my own business by age 40. I knew I had the spirit and the drive."

Given the severe economic downturn, it was hard to know whether sticking with a large company or going it alone posed the bigger risk. But Mr. Boyles decided to bet on himself.

"I was comfortable with the employee group we had, and I had known the financials of the company for over 10 years. I was able to put together a good plan."

It wasn't going to be clear sailing, however. The process of securing a loan from the Small Business Administration was, in his words, excruciating. And Luwa stipulated that the deal had to be sealed in 2008.

"I spent every waking minute trying to establish funding," Mr. Boyles remembers. "Even though the business was solid and stable, the banks were so apprehensive, and

basically they said there was no way to make this happen by the end of the year. And some of them insisted on having fourth-quarter earnings. The business was 57 years old. I didn't understand why they needed the report of another 60 days."

A friend referred Mr. Boyles to Southern Community and specifically to commercial banker Thomas Barrier.

"Thomas and I hit it off. He was not particularly versed in Small Business Administration loans, but he found out who to contact, and he was in touch with her about every other day. I saw his eagerness to help me, and he became essentially my partner, which is what I wanted from a bank. Thomas gave me the sense that he would make my loan a priority.

"Everything happened the way Thomas told me it would happen. There were no hiccups at the end and nothing to raise either of our blood pressure. The wire transfer was completed at 11:30 on the morning of December 31."

Scott Boyles beat his personal deadline by almost six months. He turned 40 in May. Meanwhile, he is quick to refer friends and business associates to the can-do bank. "In tough times, especially," he said, "it's important for good companies to look out for one another."

Better Yet

With home sales dramatically down, we launched a buyer-incentive program. Any of our builder customers who have built houses that have been on the market at least 12 months are eligible to participate. We will give a buyer \$10,000 toward the purchase price, no strings attached. "I know there are a lot of builders hurting out there. It's very, very tough, and builders are having to be creative to keep afloat," said Don Berrier, owner of Berrier Construction Co. and a member of Southern Community's Kernersville, N.C., Advisory Board. He appreciates the fact that his bank has also been creative in helping its customers in the construction industry.



\$10,000
Buyer Incentive Program
Call for Details
336-774-2356
Southern
Community
BANK AND TRUST

"I saw his eagerness to help me, and he became essentially my partner, which is what I wanted from a bank. Thomas gave me the sense that he would make my loan a priority."

Scott Boyles
*enjoys running
his own show.*

Working Leaner, Working Smarter

We think of it as Branch #23, and it opened in April 2008.

Unlike our first 22 offices, this one is located in cyberspace. It encompasses our revamped and much more functional website, smallenoughtocare.com, and our online customer care center, SCB Connect. Staffed with five bankers, our virtual branch is open for business from 7:30 a.m. to 7:30 p.m. Monday to Friday, and from 9 a.m. to 1 p.m. on Saturdays. Customers can speak with a banker during those hours, or use online chat to get answers to their questions.

Customers who live outside our geographic footprint, and the growing numbers who simply prefer to conduct their personal business over the internet, can't say enough good things about our newest form of customer care. Like, "The new website is the most user-friendly bank site I've ever used. Everyone I've spoken to so far has been extremely knowledgeable, helpful, and friendly." And, "Your presence on the internet is excellent. It really helps to have warm and approachable voices on the other end." And, "Live online chat – what a great service feature from such a small bank!!!"

SCB Connect was just one of many improvements we made in 2008 that not only makes banking more convenient for customers but more cost-efficient for the bank. Not all those initiatives occurred online. Many were geared to creating efficiencies on the ground at our 22 bricks-and-mortar branches.

One such enhancement was the ability to provide digital account documents to our employees to save time and avoid a paper trail.

"Let's say you're a lender in our Greensboro office and you made a loan six months ago

and the borrower comes back with another request," says Phil Doerr, Director of Technology and Operations. "Before you would have had to call somebody in Winston-Salem and ask them to pull all the documents and probably mail them to you. Now you can look at those documents on your desktop. After a loan closing, we scan all the documents at our central operations center, and then they're available 24/7 to authorized employees. It saves time for our employees and often speeds things up for customers."

Another enhancement in 2008 was branch data capture. All the transactions that take place across the teller lines in all of our offices are scanned at that branch, then compiled, balanced and submitted to the Federal Reserve System.

"Formerly there were at least two courier runs a day to the branches," Phil said. "We no longer move that paper to a central location. As tellers and others in the branch have downtime during the day, they do the scanning work. Central operations receives the information throughout the day."

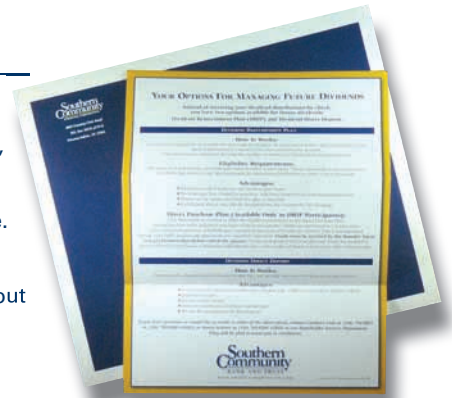
Phil and his group listen to our line-of-business managers to understand what tasks are eating up their time and what they would like to have automated.

"We have built a process for determining which areas offer the most opportunity for improvement. We calculate how much each initiative would cost to develop and how much it would cost to implement. Three times a year, we take those proposals to an executive committee and they evaluate the proposals and choose which to implement," Phil said.

"We're always looking for ways to automate processes, make people more efficient, and lower the overall cost of business."

Better Yet

We're paying close attention to the best and most cost-efficient ways to get information to all our constituencies – customers, employees, shareholders, board members, and stock analysts. Now shareholders can elect to receive proxies online and vote online. They can also reinvest their dividends online. Since this service was made available, we are now seeing 53% participation in the Dividend Reinvestment Program. Our transfer agent tells us that's about twice the participation rate of our peers.



“We have built a process for determining which areas offer the most opportunity for improvement. We calculate how much each initiative would cost to develop and how much it would cost to implement. Three times a year, we take those proposals to an executive committee.”

Phil Doerr
*stays on top of
opportunities.*

Making The Leap *from Good to Great*

As the nation's biggest financial institutions came to the brink of disaster in the final months of 2008, Brenda Wood started noticing an upswing in a trend. People who were opening accounts at Southern Community for the first time were often switching from those megabanks.

As a teller at the Clemmons branch, Brenda is in a position to see some of the impact of the economic downturn firsthand.

And the move from a huge bank to Southern Community is one she made herself in 2001. Having been a teller for 10 years, Brenda became uncomfortable with the direction the big bank was taking.

"They were going to a 1-800 number for everything," she said. "There were a lot of complaints. The way they were treating customers made some people so mad I thought the door would go with them when they slammed out."

When she joined Southern Community, the real commitment to customer service was obvious.

People who worked at the bank understood that something like a misspelling in a new box of checks could be a major nuisance, not a minor glitch, to the person who ordered the checks.

Employees at Southern Community knew that even if an outside vendor was responsible for the mistakes made in issuing a debit card, it was up to the bank employees to get the problem resolved as fast and smoothly as humanly possible.

"We put the customer first," Brenda says. "We're trained to be friendly and use our customers' names, to be helpful and track down answers to their questions if we don't

have the answers, and to let them know something by the end of the day – not to leave them hanging."

People like banking where they are known, Brenda says. "Customers like to see someone who is familiar, and they will often ask to see the person who helped them the last time."

Fast, friendly, flexible service has always been our hallmark. In 2008, we worked even harder to seek out customers' desires and concerns. We sent thank-you letters to everyone who opened an account and included a survey. More than half of those 7,000 customers completed and returned the surveys – which also gave them the chance to indicate interest in any additional bank products and services. And we compile their compliments each month and mail them to all employees as encouragement to keep up the good work.

When we do hear a cause for concern, we address it head-on. Like the comment from a member of our board of directors that customers who use the drive-through service at our branches may not be getting the real Southern Community experience. That led to an initiative involving all of our branch managers and retail bankers to come up with a "wow factor." The result is a customer appreciation gesture every month at every branch – coffee, cookies, a flower, a thank-you note – a token of our very considerable esteem for the people who bank with Southern Community.

Better Yet

Jim Collins' business classic *Good to Great: Why Some Companies Make the Leap...and Others Don't* has been a must-read for our managers. Not surprisingly, finding our "hedgehog concept" – the one big important thing that makes our company great – was an easy task. Service is our passion, what we aim to be the best in the world at, our hedgehog. In 2008, this common focus was articulated in a company-wide contest to create a mascot. The winner, Harry T. Hedgehog, now regularly turns up in photographs that document our customer service and our community service. Harry even has his own MySpace page.



“We put the customer first. We’re trained to be friendly and use our customers’ names, to be helpful and track down answers to their questions, and to let them know something by the end of the day.”

Brenda Wood
*knows what
constitutes
great service.*



Going All Out for Deposits

What could make a person – or hundreds of people – decide to open a checking account at Southern Community? As the first months of the year abundantly proved, the answer is ME Banking, which stands for Maximum Earnings Banking.

We had spent the latter half of 2007 developing this new product, one of our main strategies for increasing deposits. And it was a strategic move. The new account was targeted to people on the go, who used ATMs and debit cards frequently, who preferred to bank online, and who wanted to get more for their money. By requiring at least one automatic deposit and a minimum of 10 debit card uses each month, along with supplying monthly statements electronically, Southern Community was assured of regular deposits, merchant fees associated with debit card use, and savings on printing and mailing.

ME Banking was introduced with a striking marketing campaign. The same hip messages were carried through print, radio, web, and outdoor media. The unusually high interest rate captured the attention of national news organizations, including *The Wall Street Journal*, which caused a flurry of new customers.

ME Banking continues to be very competitive with the offerings of other banks and to bring us new customers, who tend to be younger and prefer to conduct their banking without stepping inside a bank office or to having a face-to-face encounter with a bank employee.

On the commercial front, the opening up of more opportunities to obtain deposits coincided with a planned restructuring and expansion of our cash management group. One of our senior vice presidents, Robert Rogers, was chosen to head up the effort.

“We began increasing our calling efforts in mid-2008 and really stepped up our visibility,” said Robert, who assumed the new position of Director of Commercial Deposit Services. “We

visit prospects and let them know that not all banks have the issues they are hearing about. We have money to loan.”

Until 2008, our cash management staff consisted of three people. We restructured that area to include a marketing group for product and project management, a business analyst, and an electronic banking customer service specialist. Our three original people are now responsible only for sales, reflecting our stepped-up efforts to increase deposits in all regions.

“In the current economy we couldn’t hire commercial deposit experts,” Robert said. “We’ve done it all with internal people. On the plus side, we didn’t have to get people up to speed on our culture and our service philosophy. We’re getting our staff confidence level up. Where formerly we had our knowledge base of cash management in three or four people, we’re broadening that knowledge across the board. We’ve got product sheets on every product, and we’re taking time to do training with everybody.

“With all the turmoil in the industry, this is an opportunity to show what we can do,” Robert said. “Prospects are amazed that Southern Community has a suite of services they expect only from big banks.”

The commercial deposit group has been focusing its efforts on larger corporations, attorneys, real estate companies, and municipalities.

Our suite of business services, including lockbox, fraud protection, direct deposit of payroll, remote deposit capture, and online banking, is all geared to the requirements of those market sectors.

“We’re getting out to these markets with call blitzes,” Robert said, “and we’re getting great feedback.”

Better Yet

Within 90 days of its introduction, ME Banking had achieved the income goals that had been set for the entire first year. But when our new website was launched a few months later, with the capability of online account opening, ME Banking really took off. We quickly opened more than 600 accounts online, some 75% of them from customers outside our geographic footprint. The new product not only served our purpose of bringing in deposits – over \$23 million in the first six months – but also showed us that our geographic horizons are much wider than we had envisioned.



“With all the turmoil in the industry, this is an opportunity to show what we can do. Prospects are amazed that Southern Community has a suite of services they expect only from big banks.”

Robert Rogers
*reaches out to
new customers.*

In New Markets, *a Familiar Focus*

As we move into the major markets across North Carolina, our emphasis on building relationships is foremost. We know that long-term success depends not on the race for the best rates but on the strengths of personal relationships and a reputation for integrity and service. Often, both our reputation and our relationships precede us into new territory.

Randall Jones and Jeff Clark were good friends as undergraduates at N.C. State University. A lot of their time spent together was knocking on builders' doors at construction sites. The two college students built a small business in exterior power washing. They purchased the equipment and trailers, and hired other students to help with the work.

So it wasn't surprising that Mr. Jones was eager to back his college friend in another entrepreneurial venture. As he tells it, he was visiting his hometown of Winston-Salem about a dozen years ago, and he went to lunch with Jeff Clark.

"He told me he was going to be a principal in a start-up bank. I made a contribution," Mr. Jones remembered.

"Once you know someone's work ethic and background, it's not a leap of faith. It's a given," he said.

While Jeff Clark was on his way to becoming president of Southern Community, Randall Jones had gone on from college to start his own business, Enpuricon, an environmental remediation contracting company. Headquartered in the Triangle, Enpuricon grew to have a second office in Charlotte and to employ some 100 people during peak times of the year.

Soon after Southern Community entered the Raleigh market, Randall Jones switched his personal accounts and his business accounts

to the bank. It wasn't a matter of loyalty to his old fraternity brother.

"We had been with another financial institution for 22 years, and switching was a substantial endeavor," he said.

The big bank just hadn't seemed to care much about his business. When his accounts were assigned to a new manager, as happened quite frequently, he got the word via email. A year and more would go by without a call to see how things were going and whether the bank could serve him better.

"That's not the way I'm used to conducting business. That's not how Enpuricon works with our customers," he said.

"The personal touch sets Southern Community apart even in Raleigh's tough competitive environment," Mr. Jones said. He appreciates the friendly and excellent service he receives from Southern Community in every encounter, but he would not have made the move if it hadn't made great financial sense.

"Southern Community is extremely competitive. There were financial advantages as well," he said. "I look at it as a win-win."

Better Yet

In Raleigh to the east, as in Asheville in the western part of North Carolina, Southern Community has moved in gradually, establishing a customer base before setting up the kind of regional office you'd expect from a bank. And in both new markets, we've taken our time finding just the right location before buying land and beginning construction. In 2009, the two new regional offices will open.



Randall Jones, who is a member of the Raleigh Advisory Board, says he is extremely excited. "The location has a high volume of traffic and a great mix of commercial and residential development. The ability to have that branch enhances all the bank's strengths," he said. "This will catapult Southern Community to the forefront."



"The personal touch sets Southern Community apart even in Raleigh's tough competitive environment."

Randall Jones
*thinks the sky's the limit
for this upcoming branch.*



Don G. Angell Director Emeritus

"You can't put a square stick in a round hole, and most banks have required that the stick be round," said Don Angell. "I've been a square stick my whole life."

Don, an entrepreneur whose business ventures are many and national in scope, was among the earliest to recognize that Winston-Salem needed the bank that Scott Bauer envisioned, a bank that would work for people with big ideas for their own businesses. After hearing Scott's plans, Don became one of the first five investors in Southern Community.

Now that the bank is over 12 years old, he says the entrepreneurial spirit is still strong, and notes that Scott Bauer, Jeff Clark, and Rob Davis are still personally involved, still the lenders they set out to be. "I have banked all over the United States, literally, and there are no three finer lenders than Scott, Jeff, and Rob," he said.

For an inveterate entrepreneur like Don Angell the start-up is the exciting part. This year, he retired from Southern Community's board, and is devoting his considerable energy to three major projects of his own. He said he knows he is leaving the bank in the hands of good, caring people, with a strong sense of their fiduciary responsibility, who are able to communicate the bank's mission and message very well.

We thank Don for the leadership, zest and can-do spirit he has brought to Southern Community. We wish him the best in the innovative work he is doing in the larger community. We have all benefited enormously from having this square stick with us.



2008 Southern Community Board of Directors

1. Edward T. Brown

Self-Employed,
Farming
Board Committees: Nominating & Compensation; Corporate Governance; Audit; Loan; Executive

2. W. Samuel Smoak

Retired,
The Pleasants Group
Board Committees: Audit; Investment

3. Matthew G. Gallins

President,
Gallins Foods, Inc.
Lead Director
Board Committees: Audit; Loan; Trust; Executive

4. James G. Chrysson

Co-Owner/Vice President,
CB Development Company, Inc.
Vice Chairman of the Board
Board Committees: Executive; Nominating & Compensation; Corporate Governance; Loan

5. H. Lee Merritt, Jr.

Attorney-at-Law
Board Committees: Nominating & Compensation; Corporate Governance; Investment; Trust

6. F. Scott Bauer

Chairman of the Board
CEO, Southern Community Financial Corporation

7. Stephen L. Robertson

President and CEO,
Airtech International
Board Committees: Nominating & Compensation; Corporate Governance; Audit

8. William G. Ward, Sr., MD

Professor of Orthopedic Surgery,
Wake Forest Medical Center
Board Committees: Executive; Nominating & Compensation; Corporate Governance; Investment

9. Beverly H. Godfrey

President and CEO,
Coldwell Banker Triad Realtors
Board Committees: Loan; Trust

10. James O. Frye

Retired,
The Community Bank
Board Committees: Investment; Loan; Trust

Lynn L. Lane (not pictured)

Retired,
RJ Reynolds Tobacco Holdings, Inc.
(now Reynolds American, Inc.)
Board Committees: Nominating & Compensation; Corporate Governance; Audit

Directors Emeritus:

Don G. Angell
C. J. "Pete" Ramey
Durward A. Smith, Jr.

Executive Management

BAUER



F. SCOTT BAUER

Chairman of the Board, Chief Executive Officer: Southern Community Financial Corporation, Southern Community Bank and Trust

In creating the model for what would become Southern Community, Scott Bauer drew from extensive experience. A native of Winston-Salem, Bauer graduated from the University of North Carolina at Chapel Hill with a B.S. degree in Business Administration and later received a Master's degree in banking from the prestigious Stonier Graduate School of Banking at the University of Delaware. He spent the first five years of his banking career at Wachovia Bank before joining Northwestern Bank as a commercial banker. After Northwestern was acquired by First Union, he continued to sell corporate services to middle-market companies. In 1989, Bauer moved to Southern National Bank and later became the bank's city executive in Winston-Salem. Shortly after Southern National Bank was acquired by BB&T, Bauer resigned to devote his time to forming Southern Community.

CLARK



JEFF T. CLARK

President: Southern Community Financial Corporation, Southern Community Bank and Trust

Jeff Clark, one of the original 13 employees, became President of Southern Community Bank and Trust in 2001 and President of Southern Community Financial Corporation in 2004. A native of Winston-Salem, he received a degree in Business Administration from High Point University. After participating in NationsBank's commercial lending training program in 1988, he became an Assistant Vice President and Commercial Lending Officer. In 1991, he left to join Southern National Bank, where he was named top commercial lending officer in 1994. He worked for BB&T after it acquired Southern National, leaving in 1995 to become Vice President of Sheffield Financial Corporation. He is a graduate of the Master's program at the Stonier School of Banking and the North Carolina Bank Directors College.

HASTINGS



JAMES HASTINGS

Executive Vice President, Chief Financial Officer: Southern Community Financial Corporation, Southern Community Bank and Trust

Jim Hastings provides Southern Community with extensive experience in financial management and executive leadership roles. After beginning his career in Boston with Arthur Andersen, Jim progressed through a number of accounting and financial positions with Seafirst Corporation and its subsidiary, Seattle-First National Bank. In 1985, he joined Heritage Bank and served as its Chief Financial Officer for 14 years. Jim has held executive operating roles as the Director of Mortgage Banking at Cape Cod Five Cents Savings Bank and as President and CEO with Federal Savings Bank in New Hampshire. He has a Masters in Business Administration in Finance from the University of Washington and an undergraduate degree in Accounting from the University of Notre Dame. He is licensed as a Certified Public Accountant.

MONROE



JAMES C. MONROE

Senior Vice President, Treasurer

Jim Monroe joined Southern Community as Treasurer in 2007 after spending seven years performing similar functions at The South Financial Group in Greenville, South Carolina. Mr. Monroe acted as Interim Chief Financial Officer for most of 2007. He is a graduate of The Citadel in Charleston, South Carolina.

ANDREWS



MERLE B. ANDREWS

Executive Vice President, Senior Operating Officer

Ms. Andrews left Wachovia Bank in 1987 to help form The Community Bank in Pilot Mountain. As Chief Financial Officer, she was responsible for operations and personnel and was elected to the Board of Directors in 1990. She is Vice President of the Surry County Arts Council and serves on the Lay Advisory Board of the Comprehensive Cancer Center at WFU Baptist Medical Center and the Winston-Salem Chamber of Commerce Board of Directors. At Southern Community, she has been named head of operations and personnel. Ms. Andrews is a graduate of Wake Forest University and the University of Colorado Graduate School of Banking.

DAVIS



ROBERT L. DAVIS

Executive Vice President, Commercial Banking Executive

As a life-long resident of Winston-Salem and one of the founding employees of Southern Community, Rob Davis has served as Executive Vice President since 2003. In the banking industry for more than 20 years, Rob began his career as a commercial lender with Southern National Bank, joining Southern Community in 1996 as Vice President of Commercial Lending. He earned a degree in Business and Economics from North Carolina State University and is a 2004 graduate of The Graduate School of Banking at Louisiana State University.

NEIL



PAUL E. NEIL, III

Executive Vice President, Chief Credit Officer

With more than 20 years of banking experience, Paul Neil manages the Credit Administration and Risk Management functions for the Bank, reviewing and approving commercial and consumer loan portfolios. He is a vice president of the Triad Risk Management Association, and has earned –Credit Risk Certification from that organization. Mr. Neil is a graduate of Wofford College.

2008 *Financial Summary*

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors
Southern Community Financial Corporation and Subsidiary
Winston-Salem, North Carolina

We have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Southern Community Financial Corporation and Subsidiary as of December 31, 2008 and 2007, and the related consolidated statements of operations, comprehensive income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2008, (not presented herein); and in our report dated March 16, 2009, we expressed an unqualified opinion on those consolidated financial statements. The accompanying condensed consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the information set forth in the condensed consolidated financial statements in relation to the consolidated financial statements from which it has been derived.

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



Raleigh, North Carolina
March 16, 2009

Consolidated Financial Highlights

Southern Community Financial Corporation and Subsidiary
(Dollars in thousands, except per-share data)

	2008	2007	2006
Operating Results			
Net Income Available to Common Shareholders	\$5,669	\$7,554	\$4,198
Net Income Per Common Share:			
Basic	0.33	0.43	0.24
Diluted	0.33	0.43	0.24
Operating Ratios			
Return on Average Assets	0.34%	0.50%	0.31%
Return on Average Equity	4.02%	5.45%	3.11%
Net Interest Margin	2.99%	3.19%	3.30%
Non-Interest Income to Total Revenue	19.21%	20.57%	8.28%
Efficiency Ratio	71.65%	74.23%	80.64%
Dividend Payout	48.48%	36.05%	56.26%
Asset Quality			
Non-Performing Assets to Total Assets	1.12%	0.18%	0.25%
Net Charge-Offs to Average Loans	0.28%	0.14%	0.13%
Allowance for Loan Losses to:			
Period End Loans	1.43%	1.20%	1.26%
Non-Performing Loans	131%	695%	495%
Capital			
Tier 1 Leverage	10.57%	8.96%	8.73%
Tier 1 Risk-Based	12.46%	10.28%	10.20%
Total Risk-Based	13.80%	11.44%	11.40%
Per Share of Common Stock			
Price for Year:			
High	\$7.89	\$10.97	\$11.09
Low	2.11	6.25	8.76
Close	3.51	8.53	10.08
Tangible Book Value	5.75	5.24	4.84

Condensed Consolidated Statements of Operations

Southern Community Financial Corporation and Subsidiary
(Dollars in thousands, except per-share data)

	2008	2007	2006
Interest Income			
Loans	\$82,125	\$86,673	\$73,492
Investment securities available for sale	12,378	8,819	8,529
Investment securities held to maturity	2,184	3,208	3,390
Federal funds sold	55	208	109
Total Interest Income	<u>96,742</u>	<u>98,908</u>	<u>85,520</u>
Interest Expense			
Money Market, NOW and savings deposits	11,412	15,499	10,552
Time Deposits	23,236	23,024	22,867
Borrowings	14,634	16,618	11,379
Total Interest Expense	<u>49,282</u>	<u>55,141</u>	<u>44,798</u>
Net Interest Income	47,460	43,767	40,722
Provision for Loan Losses	<u>8,165</u>	<u>2,775</u>	<u>2,510</u>
Net Interest Income After Provision for Loan Losses	<u>39,295</u>	<u>40,992</u>	<u>38,212</u>
Non-Interest Income	<u>11,282</u>	<u>11,331</u>	<u>3,678</u>
Non-Interest Expense			
Salaries and employee benefits	22,038	21,218	18,826
Occupancy and equipment	7,679	7,928	6,835
Other	12,372	11,754	10,141
Total Non-Interest Expense	<u>42,089</u>	<u>40,900</u>	<u>35,802</u>
Income Before Income Taxes	8,488	11,423	6,088
Income Tax Expense	<u>2,634</u>	<u>3,869</u>	<u>1,890</u>
Net Income	<u>\$5,854</u>	<u>\$7,554</u>	<u>\$4,198</u>
Effective dividend on preferred stock	185	-	-
Net income available to common shareholders	<u>\$5,669</u>	<u>\$7,554</u>	<u>\$4,198</u>
Per Common Share			
Net income			
Basic	\$0.33	\$0.43	\$0.24
Diluted	0.33	0.43	0.24

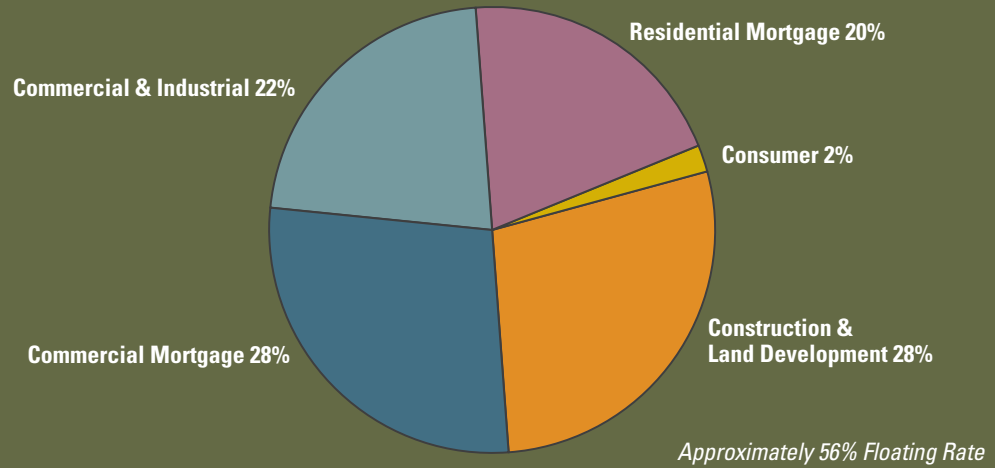
Condensed Consolidated Balance Sheets

Southern Community Financial Corporation and Subsidiary
(Dollars in thousands)

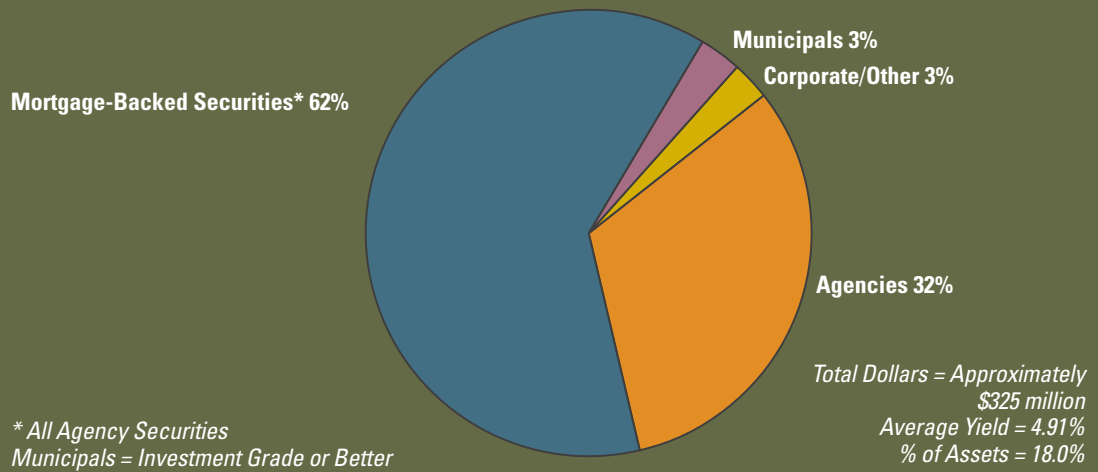
	2008	2007
Assets		
Cash and due from banks	\$25,215	\$31,905
Federal Funds Sold and Other Interest-Bearing Deposits	2,180	2,250
Investment securities		
Available for sale, at fair value	229,223	159,121
Held to maturity, at amortized cost	35,231	69,812
Loans held for sale	316	1,929
Loans	1,314,811	1,188,438
Allowance for loan losses	(18,851)	(14,258)
Net Loans	1,295,960	1,174,180
Premises and equipment	40,030	38,997
Goodwill	49,501	49,792
Other assets	56,122	41,196
Total Assets	<u>\$1,803,778</u>	<u>\$1,569,182</u>
Liabilities		
Deposits		
Demand	\$102,048	\$109,895
Money Market, NOW and Savings	475,772	495,448
Certificates of Deposit	655,292	439,894
Total Deposits	1,233,112	1,045,237
Short-term borrowings	145,197	117,772
Long-term debt	228,016	254,633
Other liabilities	9,743	9,201
Total Liabilities	<u>1,616,068</u>	<u>1,426,843</u>
Stockholders' Equity		
Cumulative preferred stock (Series A), no par value, 1,000,000 shares authorized; issued and outstanding 42,750 shares at December 31, 2008	40,690	-
Common Stock, no par value, 30,000,000 shares authorized; 16,769,675 and 17,399,882 shares issued and outstanding in 2008 and 2007, respectively	119,054	119,101
Retained earnings	24,901	22,198
Accumulated other comprehensive income	3,065	1,040
Total Stockholders' Equity	<u>187,710</u>	<u>142,339</u>
Total Liabilities and Stockholders' Equity	<u>\$1,803,778</u>	<u>\$1,569,182</u>

Selected Portfolio Compositions

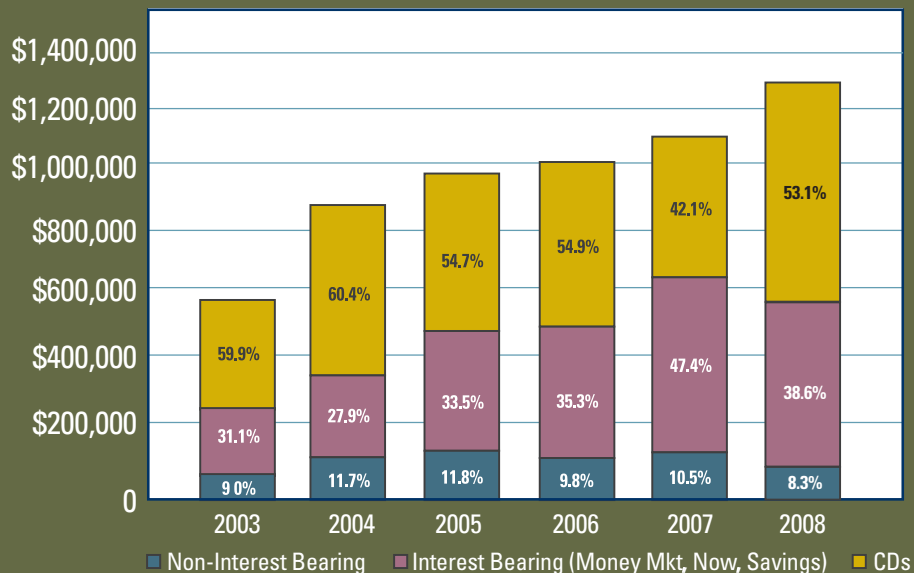
Loan Portfolio Composition



Investment Portfolio Composition

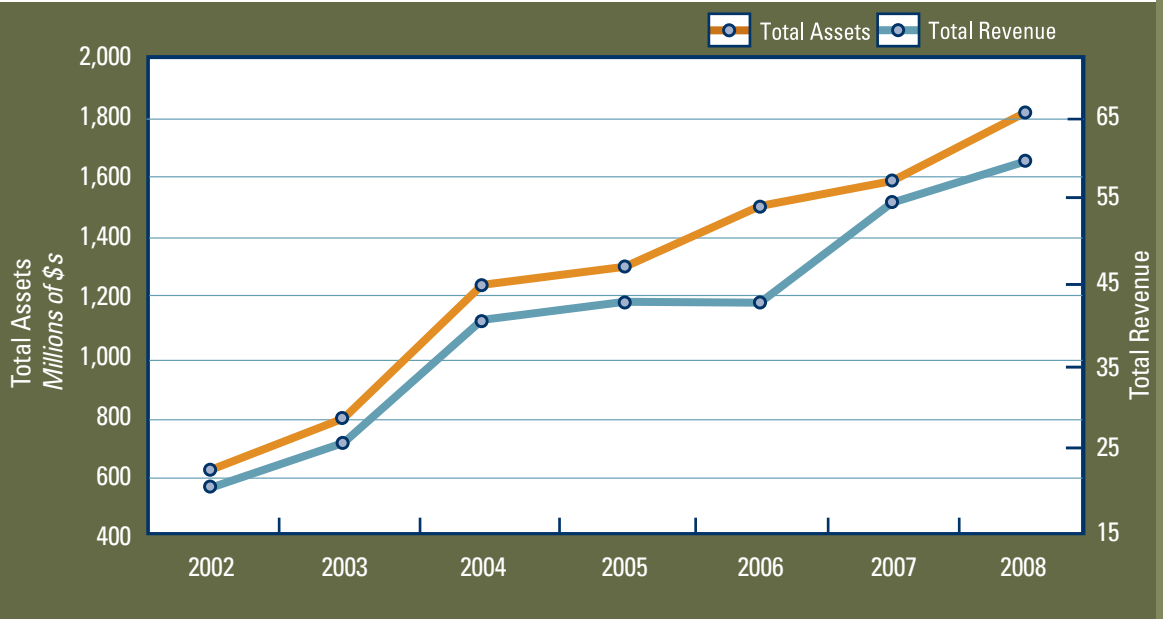


Deposit Portfolio Composition

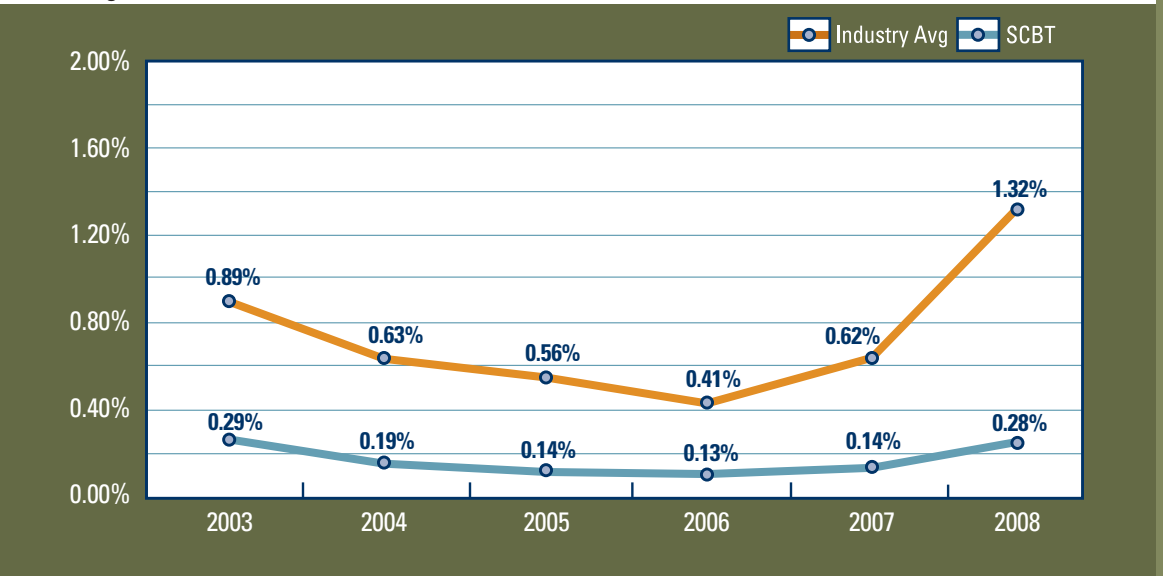


Year-End Results

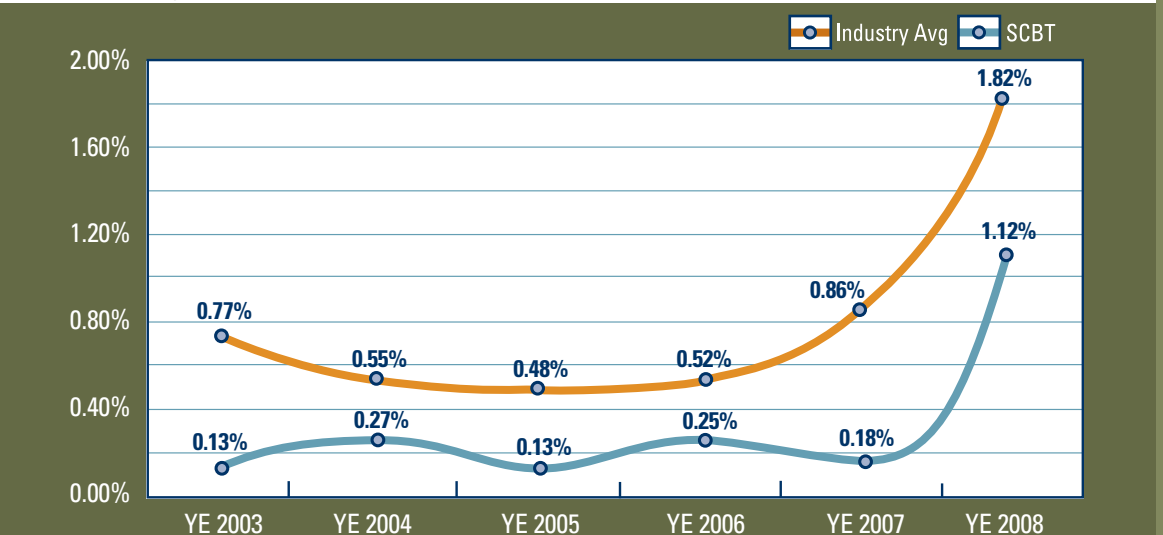
Assets and Revenue



Net Charge-Offs as % of Total Loans



Non-Performing Assets as % of Total Assets



People

Executive Administration

F. Scott Bauer

Chief Executive Officer,
Chairman of the Board

Jeffrey T. Clark

President

Merle B. Andrews

Executive Vice President,
Senior Operating Officer

Robert L. Davis, Jr.

Executive Vice President,
Commercial Banking Group Manager

James Hastings

Executive Vice President,
Chief Financial Officer

Paul E. Neil, III

Executive Vice President,
Chief Credit Officer

Corporate Administration

Carolyn J. Hemming

Receptionist

Karen M. Martin

Banking Officer, Receptionist

Kim D. Phillips

Vice President, Executive Assistant
to President, Customer Service
Relationship Manager

Elizabeth H. Prince (Liz)

Assistant Vice President,
Executive Assistant, Investor Relations

Christine B. Suber

Receptionist

Commercial Finance

Jonathan G. Cooke

Vice President, Senior Account Executive

Diane B. Knierim

Commercial Finance Processor

Rebecca J. McKenzie

Assistant Vice President,
Commercial Finance Operations Manager

William C. Morris, Jr.

Vice President,
Account Executive Manager

Karen C. Sain

Commercial Finance Processor

John P. Walker

Commercial Finance Portfolio Analyst

Commercial Loans (W-S)

Lacy S. Azevedo

Banking Officer,
Commercial Banking Support Manager

Thomas D. Barrier

Banking Officer,
Commercial Banker

Edwin L. Bland

Vice President, Commercial Banker

I. Clenton Gentry, Jr.

Assistant Vice President, Commercial Banker

Roger A. Greene

Assistant Vice President, Commercial Banker

Laurie H. Jamison

Vice President,
Cash Management Specialist

T. Brent Kirby

Vice President, Commercial Banker

Michelle B. Koster

Vice President, Commercial Banker

Elizabeth C. Lenn

Vice President, Commercial Banker

Stacey M. McGowan

Commercial Banking Support Specialist

William H. Roberts, IV (Hugh)

Senior Vice President,
Forsyth Regional Banking President

Robert A. Rogers

Senior Vice President, Commercial Deposit
Services Director

David A. Styers

Assistant Vice President, Commercial Banker

Don P. Symons

Vice President,
Cash Management Department Manager

Trenton D. Wall

Banking Officer, Commercial Associate

Lisa D. West

Assistant Vice President,
Cash Management Specialist

Katrina G. Zink

Commercial Banking Support Specialist

Compliance

Ruth A. Bass

BSA Administrator

Theresa N. Johnson

BSA Administrator

Letitia H. LeBeauf

BSA Administrator

Kathleen R. Mansfield

Compliance Specialist

Johnnie L. Midyette

Assistant Vice President,
Loan Documentation Review Manager

S. Melanie Rutledge

Banking Officer, BSA Administrator

Melanie B. Thacker

Vice President, Director of Compliance/BSA Officer

Construction Loans (W-S)

Stephanie J. Burton

Banking Officer,
Construction Lending Support Specialist

Mark D. Dodson

Vice President, Construction Lender

Michael W. Hayes

Vice President,
Construction Loan Department Manager

Susan H. Martin

Banking Officer,
Construction Lending Support Specialist

Wayne E. Reece

Vice President, Construction Lending
Acquisition & Development Specialist

R. Bradley Westmoreland

Senior Vice President,
Construction Loan Division Manager

Richard Westmoreland

Consultant, Construction Lending

Toni P. White

Assistant Vice President,
Construction Lending Support Specialist

Andrea C. York

Vice President, Construction Lender

Credit Administration

William K. Ausborn (Keith)

Assistant Vice President, Credit Risk Analyst

Vickie M. Ball

Vice President, Commercial Credit Officer

William A. Barker

Vice President,
Retail Credit Risk Manager

John C. Bennett (Jack)

Vice President, Commercial Credit Officer

Virginia W. Carter

Commercial Credit Officer

Terry D. Church

Banking Officer,
Executive Administrative Assistant

J. Patrick Linville

Vice President, Manager of Problem Assets

Denise C. McBride

Overdraft Programs Administrator

Shawn P. Mallison

Assistant Vice President,
Credit Risk Review/CRA Officer

Janet S. Moser

Credit File
Documentation Specialist

Laura S. McDaniel

Banking Officer, Credit Analyst

Joanna M. Reavis

Retail Collections Specialist

Brian K. Vannoy

Senior Vice President,
Commercial Credit Manager

Data Processing

Wanda Byrd

Data Processing Specialist

Lisa Chilton

Assistant Vice President,
Data Processing Manager

Anthony E. George

2nd Shift Systems Operator

Robin D. Lyons

Data Processing Supervisor

Mark H. Samuel

1st Shift Systems Operator

Janice Yopp

Data Processing Specialist

Deposit Operations

Sharon H. Boles

Deposit Operations Supervisor

Mae S. Dixon

Deposit Operations Specialist

Donna E. Hagenah

Deposit Operations Specialist

Judy Holt

Deposit Operations Specialist

Donna Marion

Vice President, Deposit Operations Manager

Nicole B. Nelson

Deposit Operations Specialist

Kelly A. Meriwether

Deposit Operations Specialist

Electronic Banking

Russell E. Courchine

Electronic Banking Specialist

Rebecca L. Doub

Electronic Banking Specialist

Francene F. Hatcher

Electronic Banking Specialist

Theresa R. Ingleston

Electronic Banking Specialist

Lori D. McRee

Electronic Banking Specialist

Dona W. Neal

Senior Vice President,
Director of Electronic Banking

Christine F. Whitman

Banking Officer,
Electronic Banking Supervisor

Facilities

Lenny F. Caudill

Vice President,
Facility Engineer/Project Manager

Robert E. Ellis

Maintenance Supervisor

L. Michael Farabee

Facility Project Manager

Ramona M. King

Project Engineer

Henry A. Metzger

Internal Bank Courier

Harry V. Rudder

Banking Officer,
Internal Bank Courier Supervisor

Mariano Sanchez

Banking Support Specialist

Weldon M. Wilmoth (Marshall)

Internal Bank Courier

Finance & Accounting

Allison S. Allen

Banking Officer, Accounting Specialist

A. Dee Branning

Assistant Vice President, Financial Analyst

Craig L. Call

Vice President, Controller

Leigh Ann Davis

Accounting Specialist

Tabatha G. Essex

Vice President, Accounting Supervisor

Denise L. Griggs

Budget Analyst

Candace N. Link

Banking Officer, Shareholder Services Specialist

James C. Monroe

Senior Vice President, Treasurer

Human Resources

Candace H. Aldridge

Recruiter

Toby A. Boles

Senior Vice President, HR Director

Terry P. Freeman

Banking Officer, HR Support Manager

Mary D. Smothers

Banking Officer, HR Payroll Manager

Bobbie L. White (Luann)

HR Support Specialist

Information Technology

J. Scott Anderson

Assistant Vice President,
Application and Database Services Manager

James D. Brown

Network Security Administrator

Michael S. Harris

Senior Application and
Database Administrator

Wesley G. Hinshaw

Network Administrator

Coby J. Wesley

Applications Administrator

Dennis W. Wilson

Assistant Vice President,
Network Services Manager

People

Internal Audit

Melissa K. Cook
Assistant Vice President, Internal Auditor

Paul D. Guy
Vice President,
Director of Internal Audit

Pamela S. Lawson
Assistant Vice President, Internal Auditor

E. Charles Osayamwen
Senior Auditor

Loan Administration

Bonnie U. Beck
Banking Officer,
Loan Administration Documentation Specialist

Angela R. Brown
Loan Administration Booking Specialist

A. Jane Calloway
Loan Administration Collateral
Maintenance Specialist

Sarah C. Doby
Loan Administration Documentation Specialist

Cathy F. Eaton
Operations Officer, Loan Administration
Documentation Specialist

Rebecca W. Eaton
Loan Administration Documentation Specialist

Dianna L. Ebright
Loan Administration Specialist

Jennifer L. Flynn
Loan Administration Documentation Specialist

Tammie T. Holt
Assistant Vice President,
Loan Documentation Risk Manager

Phyllis Carraway-King
Operations Officer, Loan Administration
Collateral Maintenance Specialist

Stacey M. Martin
Assistant Vice President,
Loan Administration Operations Supervisor

Teri Martin
Loan Administration Documentation Specialist

Tammy G. Mayes
Banking Officer, Loan Administration
Booking Supervisor

Susan M. Murph
Loan Administration Booking Specialist

Amber E. Redmon
Loan Administration Documentation Specialist

Jannifer D. Scales
Operations Officer,
Loan Administration Booking Specialist

James M. Shackett
Vice President, Loan Administration Manager

Christina A. Teague
Loan Administration Specialist

Joshua F. H. Wood
Loan Administration Documentation Specialist

Kathryn D. Wood
Operations Officer,
Loan Administration Specialist

Sally Wright
Loan Administration Documentation Specialist

Marketing

Suzanne M. Dixon
Assistant Vice President,
Marketing Coordinator

Lisa M. Edwards
Marketing Support Specialist

Mortgage (W-S)

Alison C. Ball
Assistant Vice President, Mortgage Originator

Portia B. Ellis
Mortgage Support Specialist

Jaqueline C. Kraft
Mortgage Loan Shipper/Post Closer

John L. Manning
Vice President,
Mortgage Department Group Manager

Jeffrey T. Martin
Mortgage Originator

Teresa L. Miller
Assistant Vice President,
Mortgage Office Manager

Angela L. Presnell
Banking Officer, Mortgage Processor

Virginia F. Reaves (Jennie)
Banking Officer, Mortgage Closer

Jenea J. Triplett
Mortgage Loan Processor

Operations

Aaron G. Dawson
Vice President, Assistant Director
of Technology & Operations

Philip M. Doerr
Senior Vice President,
Director of Technology & Operations

Rebecca A. Mays
Vice President,
Business Initiatives Project Manager

Retail Banking Group

Molly C. Barber
Banking Officer, Regional Operations Manager

Garwood Childers, Jr. (Woody)
Vice President, Retail Regional Manager

Jessica I. Harpe
Retail Banking Group Assistant

Cindy B. Hodges
Vice President, Director of Branch Operations

Anna B. Long (Mandy)
Vice President, Retail Regional Manager

Jeffrey F. McDowell
Senior Vice President,
Retail Banking Director

Allison M. Smitherman
Assistant Vice President,
Regional Operations Manager

Melissa D. Mercado
Vice President, Retail Banking
Relationship Manager

SCB Connect

Alexis J. Cana
Call Center Specialist

Kristen D. Doub
Call Center Team Leader

Amanda M. Massey
Call Center Specialist

Sandra A. Shore
Call Center Specialist

Jared R. Yates
Call Center Specialist

Security

S. Todd Osborne
Assistant Vice President, Security Officer

Southern Community Wealth Management

Leslie Acuna
Wealth Management Sales Associate

Joel D. Ayers
Wealth Management Financial Advisor

W. George Burns
Assistant Vice President, Trust Manager

J. Daniel Choplin
Qualified Intermediary Exchange Business
Development Officer

Diane E. Cotton
Banking Officer,
Customer Relationship Manager

Anjel C. Earls
Wealth Management Financial Advisor

Jessie L. Howard
Banking Officer,
Customer Service Associate

Lottie S. Kay
Trust Consultant

Timothy J. Lawson
Banking Officer,
Wealth Management Financial Advisor

David L. Maynard
Vice President,
Wealth Management Group Manager

Training

Wanda P. Davis
Assistant Vice President, Learning Specialist

Annette R. Knight
Senior Vice President,
Director of Learning and Performance

Asheville Office

Daniel D. Anderson
Vice President, Commercial Banker

Brady M. Blackburn, Jr.
Vice President, Commercial Banker

Christine V. Burrell
Head Teller

A. Leisa Capps
Banking Officer,
Commercial Banking Support Manager

Jason S. Chambers
Assistant Vice President, Construction Lender

Shawn M. Fitzpatrick
Mortgage Originator

Charles L. Frederick
Senior Vice President,
Western Regional Banking President

Montese S. Todd
Teller Supervisor

Jeffrey T. Yancey
Retail Lender

Clemmons Office

Cynthia A. Dinkins
Branch Manager

Robin A. Durham
Senior Teller

Lowell A. Hewett
Teller Supervisor

Susan Lambertson
Retail Banker

Brenda G. Wood
Senior Teller

Beth V. Yoran
Teller

Dobson Office

Donna B. Edwards
Teller

Rita K. Eiswald
Senior Teller

Kevin S. O'Neal
Assistant Vice President,
Branch Manager

Jeffrey D. Stewart
Retail Banker

Brandi B. Sumner
Retail Banker

Sabrina B. Thomas
Banking Officer, Teller Supervisor

Greensboro Office

Samuel S. Alexander (Scott)
Certified Mortgage Planner

Eileen M. Church
Construction Lending Support Specialist

Joseph A. DePasquale
Senior Vice President,
Eastern Regional Banking President

Eric J. Fitzgerald
Vice President,
Construction Lending Department Manager

James R. Karr
Mortgage Support Specialist

Sonja G. Kennedy
Assistant Vice President, Branch Manager

Miranda L. Kenney
Teller Supervisor

Kristen D. Leonard
Commercial Banking Support Specialist

Brian R. Pomante
Retail Banker

Martin D. Pratt
Vice President, Commercial Banker

Selena J. Stephens
Commercial Banking Support Specialist

John C. Vestal
Vice President, Commercial Banker

Julie A. Whittington
Teller

High Point Office

Kenneth J. Esposito
Assistant Vice President, Branch Manager

N. Elizabeth Johnson
Teller Supervisor

Lynette C. Lipscomb
Teller

Jennifer L. Loflin
Retail Banker

James J. O'Brien
Retail Banker

Selena J. Stephens
Commercial Banking Support Specialist

Winifred J. York (Wendy)
Teller

Jonesville Office

Donna O. Brooks
Teller Supervisor

Misty P. Marion
Teller

Rhonda J. Martin
Teller

Renieta J. Mathis
Banking Officer, Retail Banker

Philip H. Norman
Vice President, Branch Manager

People

Kernersville Office

Bradley K. Bumgarner
Assistant Vice President, Branch Manager

Julie M. Cook
Banking Officer, Retail Banker

Lianet V. Hoyos
Retail Banker

Judith K. Kale
Teller

Peggy S. Lawson
Teller Supervisor

Richard N. Mabe (Ned)
Vice President, Commercial Banker

Trista A. Shipley
Teller

Julia A. Slezak
Retail Banker

Katherine R. Trotter
Senior Teller

King Office

Rebecca D. Barbor
Teller

Velda F. Haynes
Teller

Mary Anne Hicks
Vice President, Branch Manager

Jackie L. Lankford
Teller Supervisor

Sandra J. Novak
Teller

A. Denise Snyder
Banking Officer, Retail Banker

Madison Office

Dixie C. Baughn
Teller Supervisor

Susanne S. Fulk
Teller

Sherrie L. Hawkins
Banking Officer, Retail Banker

James R. Jackson, Jr.
Assistant Vice President, Branch Manager

Angela M. Wagner
Senior Teller

Mooreville Office

Colin G. Clark
Commercial Associate

Karen F. Floyd
Senior Vice President,
Southern Regional Banking Executive

Nikki R. Goss
Teller

Bruni T. Melius
Teller

Robert F. Nay
Mortgage Originator

Kim M. Pech
Construction Lending Support Specialist

John G. Reeves
Vice President, Commercial Lender

Katherine F. Reimer
Teller Supervisor

Sharon K. Spry
Banking Officer,
Commercial Banking Support Specialist

Kelly R. Swenson
Vice President,
Construction Lender Department Manager

Allegra L. Vicenty
Teller Supervisor

Bethany R. Welch
Banking Officer, Retail Banker

Stephanie M. Wetzel
Assistant Vice President, Branch Manager

David L. Whitley
Mortgage Originator

Mount Airy 601 Office

Amanda J. Casstevens
Teller Supervisor

Carolyn B. Gentry
Teller

Kimberly E. Grice
Banking Officer, Branch Manager

Shelia K. Love
Senior Teller

Kimberly L. Quesinberry
Retail Banker

Maggie D. Tilley
Teller

Staci L. Welch
Retail Banker

Mount Airy Downtown Office

Maria I. Alonso
Teller

Gretta L. Brown
Commercial Banking Support Specialist

Hazel G. Gardner
Senior Teller

Michelle L. King
Teller

Maria I. Leonides
Teller

James M. Lewis
Vice President, Commercial Banker

Bridget M. Soots
Banking Officer,
Commercial Banking Support Manager

Jeffrey D. Stewart
Retail Lender

Angela N. Tate
Banking Officer, Retail Banker

Maggie D. Tilley
Teller

Jonathan C. Tucker (Cory)
Assistant Vice President, Commercial Banker

Stephanie D. Williams
Teller Supervisor

Pilot Mountain Office

Jennifer A. Doby
Retail Banker

Robert T. Gardner
Assistant Vice President, Branch Manager

Nicole B. Hege
Assistant Vice President, Retail Banker

Sara V. Moser
Teller

Jo Ann Shelton
Teller Supervisor

Bobbi L. Venable
Teller

Raleigh Office

James W. Derrickson
Vice President, Triangle
Residential Construction Manager

A. Steele Hall, Jr.
Vice President, Commercial Banker

Stanley P. Moore
Vice President, Commercial Banking Manager

Michael C. Mayes
Mortgage Originator

Bryan J. Powell
Vice President,
Triangle Region Mortgage Manager

Amy K. Strausbaugh
Senior Teller

Judith Thurrell
Commercial Banking Support Specialist

Sandy Ridge Office

Melanie M. Hickman
Teller

Angie W. Joyce
Teller Supervisor

Mitzi T. Nance
Assistant Vice President, Branch Manager

Wanda S. Shelton
Retail Banker

Union Grove Office

Lisa S. Brown
Retail Banker

Sandra J. Crater
Assistant Vice President, Branch Manager

Grant D. Gaither
Part-Time Teller

Tammy M. Goodin
Teller Supervisor

Jessica W. King
Senior Teller

Betsy C. Long
Retail Banker

Harriet P. Templeton
Teller

Walnut Cove Office

Denise W. Ashburn
Senior Teller

Debra K. Bevil
Assistant Vice President, Branch Manager

Kathy M. Flinchum
Banking Officer, Teller Supervisor

Melissa F. Giles
Retail Banker

Sharon B. Tuttle
Teller

Winston-Salem Main Office

Melissa A. Burns
Assistant Vice President, Branch Manager

Jennifer L. Cedeno
Teller

Rebecca L. Cockerham
Senior Teller

Ron L. Goss
Banking Officer, Retail Banker

Jean Ann Harvey
Teller

Andrew C. Kay
Teller

Rachel W. McGinnis
Retail Banker

Richmond W. Moore
Banking Officer, Retail Banker

Dustin J. Rowell
Teller Supervisor

Winston-Salem South Park Office

Amanda J. Bailey
Retail Banker

Justin E. Combs
Banking Officer, Branch Manager

Aleatha G. Ellis
Teller

Janice L. Haraveth
Teller

Erin P. Nesbitt-Smith
Teller Supervisor

Amanda L. Partin
Retail Banker

Rashika D. Walters
Senior Teller

Winston-Salem Stratford Office

Chip B. Carter
Retail Banker

Kathryn G. DiBlasio
Teller Supervisor

William L. Dwiggin
Assistant Vice President, Branch Manager

Lori W. Eckenrode
Senior Teller

Brian L. Gilroy
Banking Officer, Retail Banker

Christen W. Pavlansky
Teller

Jessica A. Sheffield
Teller

Winston-Salem University Office

Angela H. Foster
Teller Supervisor

Glenda J. Golding
Retail Banker

Michelle D. Jefferson
Banking Officer, Retail Banker

Laura M. Millwood
Teller

Jonathan M. Sadler
Banking Officer, Branch Manager

Dauna V. Scofield
Part-Time Teller

Tiffany N. Shelton
Teller

Yadkinville Office

Theresann Ciro
Teller Supervisor

Margaret L. Collins (LeDean)
Banking Officer,
Commercial Banking Support Specialist

Heather D. Davis
Banking Officer, Retail Banker

J. Roy Douglas
Vice President, Branch Manager

Diane C. Flippin
Commercial Banking Support Specialist

Tangee M. Hutchens
Part-Time Teller

Samuel L. Luster
Assistant Vice President, Commercial Banker

Melissa C. MacMenamin
Teller

Katrina S. Marler
Retail Banker

Jennifer S. Mathis
Senior Teller

Emily N. Norman
Teller

Amanda A. White
Retail Banker

Locations

CORPORATE OFFICE

4605 Country Club Road
Winston-Salem, NC 27104
(336) 768-8500

BRANCH LOCATIONS

Asheville

80 Peachtree Road, Suite 106
Asheville, NC 28803
(828) 274-7577

Clemmons

6290 Towncenter Drive
Clemmons, NC 27012
(336) 778-8987

Dobson

201 West Kapp Street
Dobson, NC 27017
(336) 386-8116

Greensboro

1505 Highwoods Blvd.
Greensboro, NC 27410
(336) 834-5800

High Point

2541 Eastchester Drive
High Point, NC 27265
(336) 883-3969

Jonesville

503 Winston Road
Jonesville, NC 28642
(336) 526-5311

Kernersville

1207 South Main Street
Kernersville, NC 27284
(336) 993-9488

King

105 Post Office Street
King, NC 27021
(336) 983-2144

Madison

619 Ayersville Road
Madison, NC 27025
(336) 548-3790

Mooreville

210 Knob Hill Road
Mooreville, NC 28117
(704) 660-8400

Mount Airy Downtown

255 E. Independence Blvd.
Mount Airy, NC 27030
(336) 789-3333

Mount Airy 601

2010 Community Drive
Mount Airy, NC 27030
(336) 789-2100

Pilot Mountain

616 South Key Street
Pilot Mountain, NC 27041
(336) 368-5334

Raleigh

2626 Glenwood Ave., Suite 165
Raleigh, NC 27608
(919) 781-5501

Sandy Ridge

Highway 74 West
Sandy Ridge, NC 27046
(336) 871-2100

Union Grove

1439 W. Memorial Highway
Union Grove, NC 28689
(704) 539-4000

Walnut Cove

1072 North Main Street
Walnut Cove, NC 27052
(336) 591-3166

WINSTON-SALEM Main

4701 Country Club Road
Winston-Salem, NC 27104
(336) 794-9911

Stratford Road

500 South Stratford Road
Winston-Salem, NC 27104
(336) 724-2075

South Park

3151 Peters Creek Parkway
Winston-Salem, NC 27127
(336) 785-3570

University

225 East Hanes Mill Road
Winston-Salem, NC 27105
(336) 377-2230

Yadkinville

532 East Main St.
Yadkinville, NC 27055
(336) 679-4121

ATM LOCATIONS

ATM

4575 Yadkinville Highway
Pfafftown, NC

ATM Plus

River Ridge Shopping Center
1466 River Ridge Road
Clemmons, NC

ATM Plus

3484 Robinhood Road
Winston-Salem, NC

ATM Plus

216 West 4th Street
Winston-Salem, NC

ATMs

Cash only ATMs located throughout
North Carolina. Visit our website
at www.smallenoughtocare.com
for a current list of locations.

VCS MANAGEMENT, LLC

Winston-Salem

112 Cambridge Plaza Drive
Winston-Salem, NC 27104
(336) 768-9343

Atlanta

The Bankers Bank
600 Pace Summit
2410 Paces Ferry Road
Atlanta, GA 30339-4098
(770) 805-2320

MORTGAGE OFFICES

Asheville

80 Peachtree Road, Suite 106
Asheville, NC 28803
(828) 274-7577

Greensboro

1505 Highwoods Blvd.
Greensboro, NC 27410
(336) 834-5800

Mooreville

210 Knob Hill Road
Mooreville, NC 28117
(704) 660-8400

Raleigh

2626 Glenwood Ave., Suite 165
Raleigh, NC 27608
(919) 781-5501

Winston-Salem

4625 Country Club Road
Winston-Salem, NC 27104
(336) 774-2356

Services

PERSONAL SERVICES

Checking

Classic Checking
ME Banking
Performance Plus Checking
Community 50 Plus Checking
Preferred Money Market

Savings

Money Market Plus
Classic Savings
Minor Savings (18 and under)
Holiday Savings Club
IRAs
Certificates of Deposit

Mortgages

Fixed-Rate Mortgages
Adjustable-Rate Mortgages
Reverse Mortgages
Construction-to-Permanent Loans
First-Time Home Buyer Loans
Interest-Only Products
Specialty Mortgage Loans

Investment Services

Investment Planning
Full-Service Brokerage
Dividend Reinvestment
Online Trading
401k Plans
Discount Brokerage

Trust Services

Trustee Services
Investment Management
1031 Exchange
Custody of Assets
Estate Settlement
Real Estate Swaps

Credit Services

ReadyCredit Lines
Consumer Credit Lines
Credit Cards
Platinum Advantage Credit Cards
Home Equity Lines
Car, Home Improvement,
and Personal Loans
Automatic Drafts
Credit Life Insurance

Insurance

Personal
Homeowners
Automobile and Boat
Umbrella Liability
Valuable Property

Other Personal Services

Overdraft Protection
Debit Cards
Personal Online Banking
Community 24 ATMs
Touchtone Banking
Travelers Checks
Notary Service
Automatic Drafts
Foreign Currency
Wire Transfers
Safe Deposit Boxes
Check Imaging
Direct Deposit
Combined Statements
e-Statements
SCB Connect

BUSINESS SERVICES

Deposit Services

Free Business 500
Business Analysis
Community Basics (for Non-profits)
Community Plus (for Non-profits)
Business Money Market
Certificates of Deposit
Business Debit Cards
Business Credit Cards
CDARS

Cash Management Services

Business Online Banking
ACH Services
Touchtone Banking
Sweep Investment
Sweep to Line
Zero-Balance Account
Lockbox
Merchant Credit Card Services
Account Reconciliation
Check Imaging
Wire Transfers
Direct Deposit
Remote Deposit
Positive Pay Fraud Protection
Payroll Services

Loans and Credit Services

Preapproved Lines of Credit for Construction
Builder Loans
Permanent Mortgage Financing
Acquisition and Development Loans
Working Capital Lines of Credit
Commercial Real Estate First Mortgage
Asset-Based Lending
Leasing Services
Letters of Credit
Short-Term Credit Facilities
Small Business Administration (SBA)
& Government-Sponsored Loans
Overdraft Lines of Credit

Trust and Investment Services

Full-Service Brokerage
Trust Services and Employee Benefit Plans
Money Management

International Services

Letters of Credit
Foreign Currency Exchange
International Wire Transfers

Insurance

Commercial Property
Commercial General Liability
Workers Compensation
Business Automobile
Commercial Excess Liability

Packaged Services

Small Business Package
Builders Package
Preferred Employee Package (PEP)

Shareholder Information

STOCK TRANSFER AGENT

First-Citizens Bank & Trust Company
P.O. Box 29522
Raleigh, NC 27626-0522
(919) 716-2053

STOCK LISTING AND MARKET

Southern Community Financial Corporation common stock is traded on the NASDAQ Global Select Market under the symbol SCMF. There are approximately 7,200 holders of the common stock. Southern Community Trust Preferred securities are listed under the symbol SCMFO.

GENERAL COUNSEL

Blanco Tackabery
& Matamoros, P.A.
P.O. Drawer 25008
Winston-Salem, NC 27114-5008

REGULATORY AND SECURITIES COUNSEL

Williams Mullen
Highwoods Tower One, Suite 500
3200 Beechleaf Court
Raleigh, NC 27604-1064

INDEPENDENT AUDITORS

Dixon Hughes PLLC
2501 Blue Ridge Rd., Suite 500
Raleigh, NC 27607

ANNUAL SHAREHOLDERS' MEETING

May 26, 2009, 3:00 p.m.
Village Inn Golf & Conference Center
Interstate 40, Exit 184
Clemmons, NC 27012

SHAREHOLDER CONTACT

Candace Link
(336) 794-9884
shareholder.relations@smallemoughtocare.com

INVESTOR CONTACT

Elizabeth H. Prince (Liz)
(336) 774-2341
investor.relations@smallemoughtocare.com

Market Makers

Sandler O'Neill &
Partners, L.P.
3424 Peachtree Road, N.E.
Suite 2050
Atlanta, GA 30326
(404) 442-2865

Legg Mason
Wood Walker, Inc.
P.O. Box 1476
Baltimore, MD 21203-1476
800-368-2558

Knight Securities
Subsidiary of Knight
Trading Group, Inc.
Newport Tower
525 Washington Boulevard
Jersey City, NJ 07310
800-544-3684

Scott & Stringfellow, Inc.
P.O. Box 1575
Richmond, VA 23218

Haberman Brothers
900 Third Avenue
New York, NY 10022

Danielson Associates, Inc.
6001 Montrose Road
Suite 405
Rockville, MD 20852
(301) 468-4884

Friedman, Billings,
Ramsey & Co
Potomac Tower
1001 19th Street North
Arlington, VA 22209
(703) 312-9619

Stifel, Nicolaus & Co, Inc.
501 North Broadway
St. Louis, MO 63102
(314) 342-2261

Raymond James & Associates
880 Carillon Parkway
St. Petersburg, FL 33716
(727) 567-5022

Howe Barnes Investments, Inc.
27 South Riverside Plaza
7th Floor
Chicago, IL

Equity Analysts

Carter Bundy
Stifel, Nicolaus & Co., Inc.
222 South Orange Avenue
Livingston, NJ 07039-5817
800-325-7926

Christopher Marinac
FIG Partners LLC
1545 Peachtree Street NEW
Suite 650
Atlanta, GA 30309
(404) 601-7210

James M. Schutz
Sterne Agee & Leach, Inc.
800 Shades Creek Parkway
Suite 725
Birmingham, AL 35209

A Salute to Southern Community Employees

Getting through the tough times together, delivering the best customer service in the industry, working to strengthen relationships and build business with every contact – none of this would be possible without the extraordinary commitment of our employees. After 12 years in business, we can say that people with a passion for service know they will find a congenial environment at Southern Community. And that's not just a hunch. In 2008, the great majority of our employees participated in a confidential survey conducted by Cass Bettinger & Associates, an independent firm. Here are the statements our employees most strongly agreed with:

- This bank has high ethical standards, which makes me proud to work here.
- I can, with confidence, provide several excellent reasons to non-customers for doing business with this company rather than with our competitors.
- This company has a well-deserved positive image in our communities as an exceptional place to do business.
- I am very proactive in recommending my company to friends and associates as a great place to do business; I honestly do all I can to help us grow.
- Based on my own experience and what I hear from employees of other banks, this company has a great reputation as a place to work.

Our Commitment
Whether it is walking in support of a cure for cystic fibrosis, walking a customer to her car on a rainy day, or walking a would-be entrepreneur through the intricacies of setting up his books, our employees walk the walk every day.

They will do all in their power to continue to keep Southern Community a great place to bank, a fine place to work, and a caring corporate citizen.

That is our unwavering commitment.

**Southern
Community**
FINANCIAL CORPORATION
Small Enough To Care



www.smallenoughtocare.com

4605 Country Club Road • Winston-Salem, NC 27104 • (336) 768-8500