

CEO CFO

Southern Community Financial Corporation
4605 Country Club Road
Winston-Salem, NC 27104
Phone: 336-768-8500

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**Headquartered In Winston-Salem, North Carolina, Southern Community Financial
Since Its Inception Has Focused On Being The Best Service Deliverer
In The Industry For Its Customers**

Southern Community

BANK AND TRUST

Small Enough To Care

Financial
Regional – Mid-Atlantic Banks
(SCMF-NASDAQ)

F. Scott Bauer
Chairman and CEO

BIO:

Scott began his banking career with Wachovia as a Field Representative and then Personal Banker. Then went to work for Northwestern Bank as a Commercial Banking Officer. He moved over to First Union as a Vice President in Commercial Banking, and then to Southern National Bank where he became City Executive. He remained City Executive after the merger with BB&T. Scott started Winston-Salem-based Southern Community Bank and Trust in 1995 where he was the bank's President and CEO. He now holds the title of Chairman and CEO. Scott is active in the local community as he serves as a Board Member for the following: Old Hickory Council- Boy Scouts of America; Senior Services Board; Goodwill of Northwest North Carolina Foundation. He is a Committee Member for the Dean Prim Scholarship, a Board of Trustees member at Winston-Salem State University, an Advisory Board member with Forsyth Jail & Prison Ministry, serves on the Board of Evangelism & Home Missions at the Moravian Church. He chairs the Committee for the 100th Anniversary of Scouting in

2010. Scott has received the Silver Beaver Award from the Boy Scouts of America.

Scott received his BSBA degree from UNC Chapel Hill and his Masters from the Stonier Graduate School of Banking. He and his wife, Elaine, have three children. In his spare time, Scott enjoys spending time with his family, tennis, and golf.

Company Profile:

Southern Community Financial Corporation is headquartered in Winston-Salem, North Carolina and is the holding company of Southern Community Bank and Trust, a community bank with twenty-two banking offices throughout North Carolina.

Southern Community Financial Corporation's common stock and trust preferred securities are listed on The NASDAQ Global Select Market under the trading symbols SCMF and SCMFO, respectively.

Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFOinterviews.com

CEOCFO: Mr. Bauer, what was your vision when you founded Southern Community, and where are you today?

Mr. Bauer: "The initial vision fundamentally centered on service and providing the type of service to small to medium-sized business customers that I felt at the time was lacking in some of the larger institutions. Then, by delivering service build a quality institution that would result in profitability and growth over time. So our real focus has been to be the best service deliverer in the indus-

try and we continuously work on that. We feel service is what is going to make or break us in the future."

CEOCFO: What is the economy like in the area you serve?

Mr. Bauer: "We have been impacted like most other areas with the economic slowdown. Our unemployment rate has gone up. We are heading toward 8% in our markets. We have been impacted also on the housing side, primarily residential housing. There has been a real slowdown there, which has affected not only builders but also any businesses connected with residential real estate. On the positive side, we are in North Carolina and we are still having good growth. We are still the number-one state in the US for in-migration and we are still having companies move into the state. However, we are seeing businesses draw back and not be willing to do much in terms of purchase or investment."

CEOCFO: Because service is such a big feature for you, what are you doing today for your clients to help them through the tough economic times?

Mr. Bauer: "Our overall philosophy is we treat every customer, external and internal, the same no matter how much they have with us or what their appearance is; it doesn't matter. We give everyone the same level of service and we have an open door. For instance, someone will call us and get a live person on the phone. If they ask for me, they are sent straight through. They are not asked who they are or why they are calling. We have that same relationship with our employees. That is just a little taste of what our service philosophy entails. We continue to get better and better. We are also work-

ing with our customers during these tough times. The best example is that we have been a residential construction lender since the bank started twelve years ago. We have really been working with our builders, some of whom can no longer pay the interest on their inventory. As long as they work with us, we work with them to try to help them sell their property or to carry it until the property sells. We have restructured many loans on an interest-only basis and we have an incentive program for buyers of older home inventory. We will give the buyer of designated homes up to ten thousand dollars as a down payment, no questions asked. And, of course that comes right out of our earnings. We are trying our best to help our builders and our customers to weather the storm. It certainly is not their fault; we are all in this together.”

CEOCFO: You have 22 branches; as you grow, how do you keep that personal touch?

Mr. Bauer: “It is one of the tough things to conquer. I always look at it as how do we have the same service as we did just with one branch twelve years ago with each of the 22 we have now. What we have done is create our own internal service training called “Heart for Service,” which incorporates the original foundational core philosophy of the bank. Every employee goes through this training, knows what is expected of them, and how we deliver service. All of us are accountable. We constantly talk about service in every employee interaction we have. We have a lot of communication with our people to continue to relay how important service is and keep those fundamentals and expectations in place. It can’t be something you just do every now and then, it has to be something you do everyday.”

CEOCFO: How have you attracted new business?

Mr. Bauer: “We do a lot on the commercial side of the bank and we do targeted calling on other banks and their customers. It is long-term selling, but we go in and sell ourselves. The relationship with the bank is really the relationship with

that individual officer. We work hard to form a relationship over time and let them know we have every service any other bank has available to them. It is service and communication that sets us apart. We have always been an excellent commercial bank for small to medium-sized businesses. On the branch side, it is the same thing. Incorporating the service fundamentals in every customer interaction is critical these days. Most people want to know they have somebody they can contact, can answer their questions, and that we are not looking at them as just a transaction. Rather, we want to find a way to improve their lives and their financial standing.

CEOCFO: How much of the business is commercial as opposed to consumer, and do you want it to change?

“The initial vision fundamentally centered on service and providing the type of service to small to medium-sized business customers that I felt at the time was lacking in some of the larger institutions. Then, by delivering service build a quality institution that would result in profitability and growth over time. So our real focus has been to be the best service deliverer in the industry and we continuously work on that. We feel service is what is going to make or break us in the future.” - F. Scott Bauer

Mr. Bauer: “We grew based on the strength of our commercial bank, so we are about 70% commercial business, which would be comprised of the actual business, the owner’s business, and their employee’s business. It is taking us longer to become a top-notch retail bank, but we are getting there. I think our retail bank will grow more in the future because of the need we all have for deposit generation. This is where we are going to pick up a lot of our core deposits, is through our branch structure. We see our branches adding a lot more business and being a lot more important to us in the future.”

CEOCFO: Why are people choosing Southern Community Financial over the other community banks?

Mr. Bauer: “Our depth and breadth of our services is one thing that differentiates us. If you look at us compared with

other community banks we have about every service that a larger institution would have. For instance, we are one of the few commercial community banks that have an asset based lending division, which we established some years ago. Six years ago, we started a small business investment company that actually is in its second phase right now. We are one of the few community banks that can offer venture capital or quasi venture capital. We are one of nine banks in the state that have a trust department. We built the bank to be here for the long-term and put in an umbrella of services that any competitor would have. It is a strategic move especially because we have been competing for years against Wachovia and BB&T in our own market. You have to have similar services to offer in order for people to move to you.”

CEOCFO: Do find many of your customers taking advantage of a wide range of services?

Mr. Bauer: “Yes, but we are not all the way there yet. Our greatest opportunity for cross selling is in our customer base. We are working to do a more effective job of letting our customers take advantage of the other services that we have such as cash management ser-

vices, online banking and remote deposit capture services. So we are not where we want to be, but we have a tremendous opportunity with our customers.”

CEOCFO: What do you look for in your people besides experience?

Mr. Bauer: “Ownership in their job and in our future is extremely important. Your best people have that. They are not here just filling a seat and doing a job, they are here looking to build this company. They recognize if they do that they will also build their future as well. This would be the number-one trait I would look for. The thirteen people that started here twelve years ago all had that and the ones that remain here still have that ownership today. We feel that it is our company.”

CEOCFO: You said that even in the difficult environment there is significant

opportunity for Southern Community; where do you see the opportunity here?

Mr. Bauer: “We have tremendous opportunity with the turmoil surrounding our competitors in this market. We have had a lot of opportunity the last six to nine months particularly on the commercial side. We have had a chance to look at some good companies that have banked elsewhere for years. Other banks are going through transition or they decided to just, on a blanket scale, get out of certain businesses. Some competitors are getting out of the construction lending business, are not lending on commercial real estate, and have applied that across the board even to very good, solid borrowers. With all the trouble in our industry, we are still

in business and still lending money, and we are still a source of funds for borrowers. A lot of business has come our way, so we do see a great opportunity for us even though the times are very difficult.”

CEO CFO: In closing, why should investors consider Southern Community Financial Corp.?

Mr. Bauer: “They need to look hard at our core earnings, a tough thing to do in this environment because most investors are saying I don’t know what the quality of the bank’s assets really are. If you look at the trend in our bank over the last two or three years we are much better on expense control. We are also finally starting to see the efficiencies that we knew would

come after spending a lot of money on infrastructure and services over the last twelve years. We are starting to see incremental revenue fall to the bottom line. If you get past the outlays for reserves and really look at our core cash flow, you will see a lot of improvement. That should tell a potential investor that once we get through this credit cycle you should see a very solid earner in Southern Community. Secondly, we are very liquid and certainly very well capitalized. We did take advantage of the Tarp Funding at the end of the year. We are really in good shape from a liquidity and capital standpoint for the foreseeable future.”

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