



CPP ANNUAL USE OF CAPITAL SURVEY - 2015

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

HCSB Financial Corporation

Person to be contacted regarding this report:	Edward L Loehr
UST Sequence Number:	328
CPP/CDCI Funds Received:	12,895,000
CPP/CDCI Funds Repaid to Date:	0
Date Funded (first funding):	Mar 6, 2009
Date Repaid ¹ :	N/A

RSSD: (For Bank Holding Companies)	2805375
Holding Company Docket Number: (For Thrift Holding Companies)	N/A
FDIC Certificate Number: (For Depository Institutions)	N/A
Credit Union Charter Number: (For Credit Unions)	N/A
City:	Loris
State:	South Carolina

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

<input type="checkbox"/> Increase lending or reduce lending less than otherwise would have occurred.	N/A for 2015
<input type="checkbox"/> To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	N/A for 2015
<input type="checkbox"/> Increase securities purchased (ABS, MBS, etc.).	N/A for 2015

<input type="checkbox"/>	Make other investments	N/A for 2015
<input type="checkbox"/>	Increase reserves for non-performing assets	N/A for 2015
<input checked="" type="checkbox"/>	Reduce borrowings	During 2015 HCSB, the Bank subsidiary of HCSB Financial Corporation, repaid its entire outstanding balances of brokered CDs in the total amount of \$14.1 million.
<input type="checkbox"/>	Increase charge-offs	N/A for 2015
<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	N/A for 2015
<input type="checkbox"/>	Held as non-leveraged increase to total capital	N/A for 2015

What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

HCSB financial Corporation is the owner of 100% of Horry County State Bank. Over the years from late 2009 and continuing through 2012, the Bank recorded approximately \$43.5 million in loan loss provisions as a result of loan charge-offs. As a result, the Bank's Tier 1 Leverage Ratio declined to approximately 2% and HCSB Financial Corporation has reported negative capital through its most recent year end date of 12/31/2015. On 3/3/2016 HCSB Financial Corporation announced that it had successfully raised approximately \$45 million of new capital from institutional investors and had negotiated with various debt holders to redeem the total outstanding debts of the Company. With the completion of this recapitalization HCSB Financial Corporation and its subsidiary bank will be Well Capitalized and able to make new loans in its market area. The Company and its subsidiary bank would likely have failed without the support received through the TARP program in 2009.

What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

HCSB Financial Corporation and its subsidiary bank was able to continue its operations until it was able to find investors to provide the capital needed to return to a strong operating position.

Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.

N/A for 2015