



## ANNUAL USE OF CAPITAL SURVEY - 2009

### NAME OF INSTITUTION

(Include Holding Company Where Applicable)

HCSB Financial Corporation / Horry County State Bank

Person to be contacted regarding this report:	Edward Loehr	RSSD: (For Bank Holding Companies)	0002805375
UST Sequence Number:	0328	Holding Company Docket Number: (For Thrift Holding Companies)	
CPP Funds Received:	0	FDIC Certificate Number: (For Depository Institutions)	27139
CPP Funds Repaid to Date:	0	City:	Loris / SC
Date Funded (first funding):	Mar 6, 2009	State:	South Carolina
Date Repaid <sup>1</sup> :	N/A		

<sup>1</sup>If 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). To answer that question, Treasury is seeking responses that describe generally how the CPP 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 investment was deployed or how many CPP 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 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 funds were outstanding).

<input checked="" type="checkbox"/>	Increase lending or reduce lending less than otherwise would have occurred.	The additional capital primarily allowed Horry County State Bank to continue to serve the community through increased lending activities throughout 2009 and into 2010.
<input checked="" 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.).	HCSB utilized its CPP capital to make a substantial amount of loans on single family residential properties, new commercial mortgage loans, small business loans, and agricultural loans.
<input type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	

<input checked="" type="checkbox"/>	Make other investments	During 2009 HCSB improved its services by building a new branch location in one of its existing market areas. The Bank also built a new operations center in Loris SC.
<input type="checkbox"/>	Increase reserves for non-performing assets	
<input type="checkbox"/>	Reduce borrowings	
<input type="checkbox"/>	Increase charge-offs	
<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	
<input type="checkbox"/>	Held as non-leveraged increase to total capital	

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

The cost of acquiring capital was very expensive in 2009. HCSB would likely have dramatically slowed its asset growth in the second quarter of 2009 in order to maintain its capital status. Many new loan requests from qualified borrowers would have been turned down in order to maintain a "Well Capitalized" capital rating.

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

HCSB was able to continue making loans to meet the demand in our market. Without the additional capital HCSB would have dramatically reduced loan growth in the second quarter of 2009. With the additional capital, HCSB's loan portfolio grew \$ 43.9 during the year from March 31, 2009 to March 31, 2010.

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

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 1505-0222. The time required to complete this information collection is estimated to average 80 hours per response.