



ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Provident Community Bancshares, Inc.

Person to be contacted regarding this report:	Richard H. Flake, EVP/CFO	RSSD: (For Bank Holding Companies)	24420
CPP Funds Received:	\$9,266,000	Holding Company Docket Number: (For Thrift Holding Companies)	
CPP Funds Repaid to Date:	\$0	FDIC Certificate Number: (For Depository Institutions)	28997
Date Funded (first funding):	3/13/2009	City:	Rock Hill
Date Repaid ¹ :		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). 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 type="checkbox"/>	Increase lending or reduce lending less than otherwise would have occurred.	For the periods of 2004 through 2008 the institution increased total loans by 63% or \$111 million. However, due to market conditions in South Carolina and an increase in underwriting standards, the institution decreased total loans by 10% or \$29 million in 2009.
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<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.).	
<input type="checkbox"/> Increase securities purchased (ABS, MBS, etc.).	<p>Due to significant core deposit growth of \$26 million and the decrease in loans, the institution increased investment securities by \$49 million to \$152 million in 2009. These securities are primarily government agency and mortgage backed securities.</p>
<input type="checkbox"/> Make other investments	
<input type="checkbox"/> Increase reserves for non-performing assets	<p>Non-performing assets increased \$10 million to \$27 million in 2009. The provision for loan loss increased to \$8.7 million in 2009 from \$4.2 million in 2008. The increase in the provision was due primarily to declining values in commercial real estate that resulted in partial loan write-downs.</p>

<input type="checkbox"/>	Reduce borrowings	The institution reduced wholesale borrowings by \$5 million in 2009. In addition, the institution reduced brokered deposits by \$7.5 million to \$4.9 million in 2009.
<input type="checkbox"/>	Increase charge-offs	For the periods 2005 through 2008, the institution had average loan charge-offs of \$465,000 per year. Due to loan deterioration and declining collateral values in South Carolina, net loan charge-offs increased to \$9.9 million in 2009.
<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	

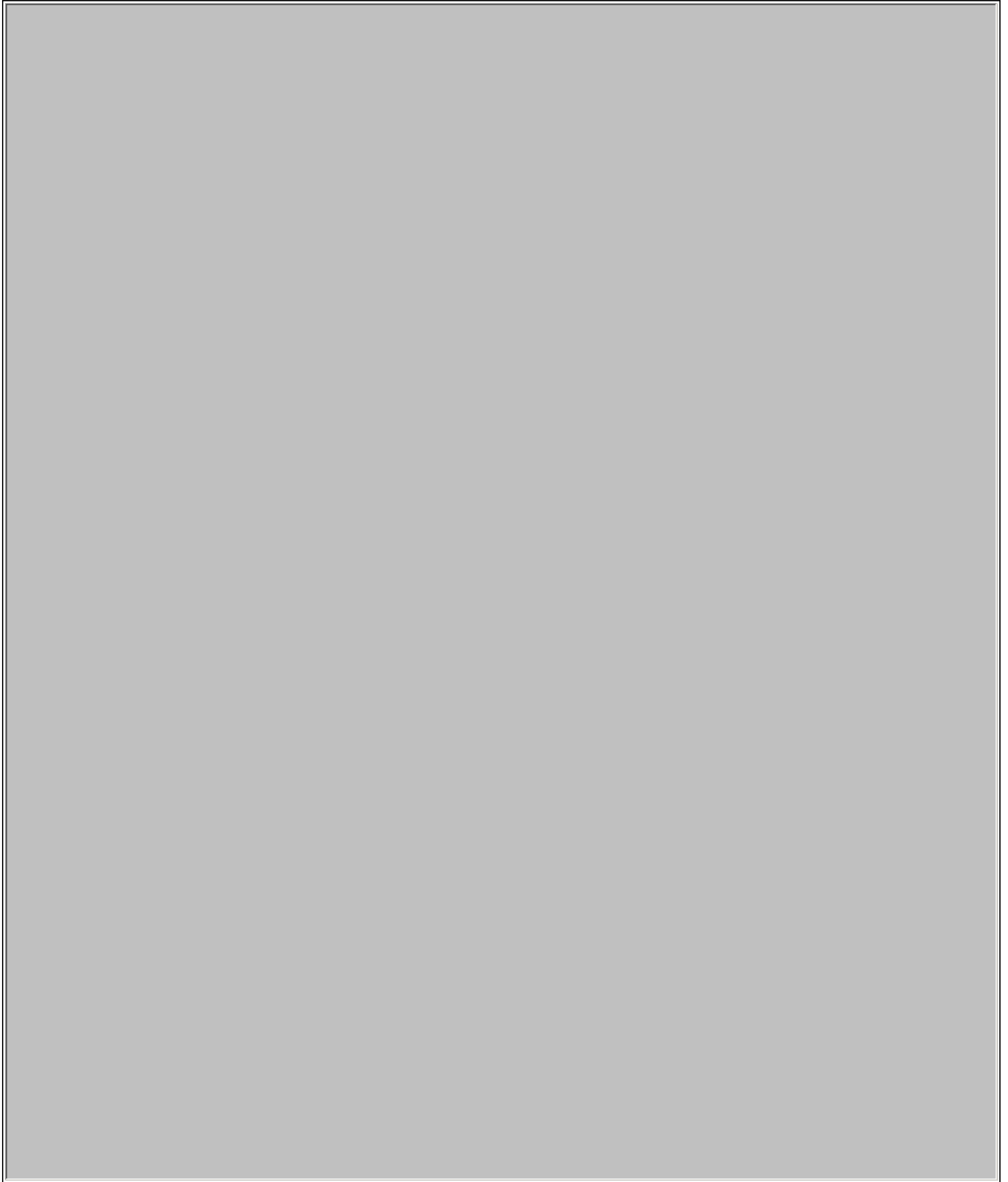
What actions were you able to avoid because of the capital infusion of CPP funds?

Our institution celebrated its 75th anniversary in 2009 and is one with a very strong heritage. Until 2005, the institution operated as a thrift in rural markets focusing on residential mortgage loans and increasing time deposits. In 2005, we converted to a national bank charter and started focusing on commercial lending and increasing demand deposits. From the regulatory capital standpoint, the institution has always maintained well capitalized ratios. In 2009 the credit issues facing our borrowers continued to escalate and our loan delinquencies and non-performing assets increased resulting in a net loss for 2009 of \$7.4 million. The CPP capital funds allowed an old and proud financial institution to remain well capitalized and continue to serve the upstate markets of South Carolina.

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

The CPP funds provided the additional capital base for the institution to continue its transition from a thrift to a national bank charter with its significant deposit growth in lower cost demand deposits and reductions in higher cost time deposits. Overall, demand deposits increased \$42 million in 2009 while time deposits decreased \$16 million.

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.