



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

May 03, 2010

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Provident Community Bank, National Association  
Charter Number: 24420

2700 Celanese Road  
Rock Hill, SC 29732

Office of the Comptroller of the Currency

CAROLINAS (CHARLOTTE) Field Office  
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**NOTE:** This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

**INSTITUTION'S CRA RATING: This institution is rated Satisfactory**

**The Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Satisfactory.**

Major factors supporting the institution's rating include:

- The bank's quarterly average net loan-to-deposit ratio is reasonable.
- A substantial majority of loans were made within the bank's assessment areas.
- The bank's lending to borrowers of different income levels and to businesses of different sizes exhibited reasonable penetration in their assessment areas.
- The bank's geographic distribution of loans reflected an excellent dispersion throughout census tracts of different income levels.
- There have been no complaints with respect to the bank's CRA performance.
- The bank's community development performance demonstrated adequate responsiveness to the community development needs of its assessment areas.

## Scope of Examination

Provident Community Bank, National Association (Provident) was evaluated under the Intermediate Small Bank examination procedures, which include a Lending Test and a Community Development (CD) Test. The Lending Test evaluates the bank's record of meeting the credit needs of its assessment areas (AAs) through its lending activities. The Community Development test evaluates the bank's responsiveness to CD needs in its AA through CD lending, qualified investments, and community development services.

The Lending Test for Provident covers its performance from January 1, 2008 through March 31, 2010, as this is representative of the bank's lending strategy. The evaluation period for the Community Development Test spanned from the previous CRA examination date of April 30, 2007 through May 3, 2010.

Provident's primary loan products are home mortgage loans and business loans. Home Mortgage Disclosure Act (HMDA) data was tested and found to be reliable, and was utilized to evaluate the bank's home mortgage lending performance. However, the bank does not report small business data for HMDA purposes. Therefore, we selected a sample of business loans originated between January 1, 2008 and March 31, 2010 to evaluate the bank's business lending performance.

## Description of Institution

Provident is an intrastate banking institution headquartered in Rock Hill, South Carolina. Provident is wholly owned by Provident Community Bancshares, Inc., a one-bank holding company headquartered in Rock Hill, South Carolina. The bank does not operate any subsidiaries or affiliates. As of March 31, 2010, the bank had total assets of approximately \$439 million and tier one capital of \$38 million.

The bank was originally chartered as Union Federal Savings and Loan Association in 1934. After a few variations, the bank ultimately changed its name to Provident Community Bank in 1997, and converted to a national bank charter in 2003. The bank currently operates nine full service branches, including one in the headquarters location. The bank operates three branches in Rock Hill, two branches in Union and one branch each in Jonesville, Laurens, Winnsboro and Simpsonville. The Simpsonville branch is the bank's most recent addition, occurring in 2006. However, the bank has not opened or closed any branches during our evaluation period.

The bank's primary loan products are commercial and home mortgage lending. Provident also offers a selection of consumer loans, such as automobile and personal loans. As of March 31, 2010, Provident reported loans and leases of \$243 million, representing approximately 55 percent of total assets. The distribution of the bank's loan portfolio is as follows: commercial and commercial real estate (62%), secured by one to four family residential properties (25%), agriculture (10%) and consumer/other (3%).

The bank also offers a wide range of deposit services and products that include: business savings and checking accounts, NOW accounts, commercial money market accounts, personal savings and checking accounts, certificates of deposit, and online banking featuring bill payment. In addition to the bank's nine ATM locations, the bank offers no fee usage of any external ATM to its customers. Additional information about branch locations and hours, products, services and fees is available at the bank's website: <http://www.providentonline.com>.

There are no financial circumstances or legal impediments, other than legal lending limits, which would adversely impact the bank's ability to meet the credit needs of its assessment areas. The bank received a satisfactory rating at their last CRA examination dated April 30, 2007.

## **Description of Assessment Area(S)**

Provident has four designated assessment areas (AAs) located in South Carolina: York County, Greenville/Laurens County, Union County, and Fairfield County. The AAs satisfy the technical requirements of the CRA and do not arbitrarily exclude low- or moderate-income census tracts. Greenville and Laurens Counties were combined into one assessment area, as they are contiguous counties residing within the same Metropolitan Statistical Area (MSA). The Fairfield County AA received a limited scope review for this examination, while the remaining AAs received full scope reviews. Each AA is described in greater detail below:

### **York County AA**

The York County AA is composed of the complete County of York. It is located in the piedmont region of South Carolina, lying along the border of North Carolina. York County is one of six counties comprising the Charlotte-Gastonia-Concord, NC-SC MSA. The county is located approximately 30 miles southwest of Charlotte, NC and 75 miles north of Columbia, SC. York is the county seat, and Rock Hill is the largest city and commercial center of the AA. Other notable cities in the AA include Fort Mill, Tega Cay, Clover and Smyrna. The bank has three full service branches in the AA, one of which is located in a moderate-income census tract. The following table highlights the demographic composition of the AA:

Demographic Information for York County Assessment Area						
		Low	Moderate	Middle	Upper	NA*
Demographic Characteristics	#	% of #	% of #	% of #	% of #	% of #
Geographies (Census Tracts/BNAs)	35	2.86	28.57	54.29	11.43	2.86
Population by Geography	164,614	1.79	21.06	59.69	16.31	1.15
Owner-Occupied Housing by Geography	44,645	1.23	17.15	63.79	17.83	0.00
Business by Geography	13,691	0.99	24.21	50.16	24.61	0.02
Farms by Geography	431	0.00	18.56	64.97	16.47	0.00
Family Distribution by Income Level	45,053	21.03	19.78	24.4	34.79	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	18,386	3.06	29.63	56.76	10.55	0.00
Median Family Income		54,850	Median Housing Value			109,723
HUD Adjusted Median Family Income for 2009		66,500	Unemployment Rate			15.60%
Households Below Poverty Level		10%				

(\*) The NA category consists of geographies that have not been assigned an income classification. Source: 2000 US Census, 2009 HUD updated MFI and Bureau of Labor Statistics as of February 2010

Competition in the York County AA is strong. Competitors in the AA include community and large national/regional financial institutions, savings and loan associations, credit unions, finance companies, and mortgage banking firms. As of June 30, 2009, the Federal Deposit Insurance Corporation reported 17 deposit-taking financial institutions, with 54 offices, operating within the assessment area. Provident ranked tenth in deposit market share with 3.3 percent of the assessment area’s \$2.1 billion in deposits. The bank also claims 0.18 percent of the mortgage lending volume (number of loans) market share, which ranks the bank 62 out of 321 total lending institutions in the AA.

The primary industries within York County are wholesale/retail, services, manufacturing, government, and construction. The top employers in the AA include the Rock Hill School District, Wells Fargo Bank NA, the Fort Mill School District, Amisub of South Carolina Inc., and Duke Energy Corporation.

To better understand the credit needs of the AA, information was gathered from a local community organization that serves low- and moderate-income individuals. The contact described York County as a progressive area that is still experiencing some growth, particularly in the cities of Fort Mill and Tega Cay. However, overall growth has slowed significantly due to the recession and local small businesses are experiencing difficulty obtaining loans. The contact believes the difficulty is attributed to the borrowers’ lack of up-front capital or lack of experience. Additionally, many borrowers’ credit scores have deteriorated during the recession due to lost jobs and slow payment of bills. While there is a continued need for loans to small businesses, the community contact believes that local financial institution involvement is satisfactory, given the current economic situation.

**Greenville/Laurens County AA**

The Greenville/Laurens County AA is composed of two complete counties, Greenville and Laurens. The two contiguous counties comprise two-thirds of the Greenville-

Mauldin-Easley, SC MSA. Greenville County, the state’s most populous county, is located in the northwestern corner of the state and Laurens County borders it to the south. This assessment area is home to two full service branches in Simpsonville and Laurens. The branches are located in middle-income and moderate-income census tracts, respectively. The following table highlights the demographic composition of the AA:

Demographic Information for Greenville/Laurens County Assessment Area						
		Low	Moderate	Middle	Upper	NA*
Demographic Characteristics	#	% of #	% of #	% of #	% of #	% of #
Geographies (Census Tracts/BNAs)	100	5.00	27.00	45.00	23.00	0.00
Population by Geography	449,183	2.41	20.62	50.31	26.66	0.00
Owner-Occupied Housing by Geography	122,326	1.35	17.44	52.11	29.1	0.00
Business by Geography	39,161	3.67	16.28	49.13	30.93	0.00
Farms by Geography	868	1.27	11.64	64.75	22.35	0.00
Family Distribution by Income Level	121,591	19.85	17.86	21.26	41.02	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	45,861	4.09	30.43	51.69	13.79	0.00
Median Family Income	47,387	Unemployment Rate:				
HUD Adjusted Median Family Income for 2009	57,200	Greenville			10.9%	
Households Below Poverty Level	11%	Laurens			12.7%	
Median Housing Value	101,833					
(*) The NA category consists of geographies that have not been assigned an income classification. Source: 2000 US Census, 2009 HUD updated MFI and Bureau of Labor Statistics as of February 2010						

Competition in the Greenville/Laurens County AA is strong. Competitors in the AA include community and large national/regional financial institutions, savings and loan associations, credit unions, finance companies, and mortgage banking firms. As of June 30, 2009, the Federal Deposit Insurance Corporation reported 35 deposit-taking financial institutions, with 188 offices, operating within the assessment area. Provident ranked twenty-first in deposit market share with 0.58 percent of the assessment area’s \$11.1 billion in deposits. The bank also claims 0.06 percent of the mortgage lending volume (number of loans) market share, which ranks the bank 122 out of 379 total lending institutions in the AA.

The primary industries within Greenville County are professional and business services, retail trade, manufacturing, government, and leisure and hospitality. The top employers in the county include the Greenville School District, the Greenville Hospital System, Michelin Tire Corporation, SFH Inc., and GE Gas Turbine Greenville, LLC.

The top industries in Laurens County are manufacturing, government, education and health services, transportation and warehousing, and professional and business services. Primary employers in the county include Wal-Mart Associates, Inc., the Laurens County School District, the South Carolina Department of Disability and Special Needs, The Torrington Company, and Faurecia Interior Systems, Inc.

To better understand the credit needs of the AA, we contacted one community development organization in the AA that assists small business development. The

contact characterized the local economy as deteriorated, but indicated that Greenville County’s economy has been relatively strong. The organization stated that lending to small businesses has decreased since the recession, and lenders are now strengthening requirements for up-front equity and evidence of primary and secondary cash flow.

**Union County AA**

The Union County AA is composed of the complete County of Union, which is a Non-MSA. The county is centrally located in the upstate region of South Carolina. This assessment area includes two full service branches in Union and one full service branch in Jonesville. One Union branch is located in a moderate-income census tract, while the remaining two branches are located in middle-income census tracts. The eight middle-income census tracts in Union County are categorized as Distressed Middle-Income Non-MSA Census Tracts due to high unemployment levels. The following table highlights the demographic composition of the AA:

Demographic Information for the Union County Assessment Area						
		Low	Moderate	Middle	Upper	NA*
Demographic Characteristics	#	% of #	% of #	% of #	% of #	% of #
Geographies (Census Tracts/BNAs)	9	0.00	11.11	88.89	0.00	0.00
Population by Geography	29,881	0.00	9.74	90.26	0.00	0.00
Owner-Occupied Housing by Geography	9,265	0.00	7.94	92.06	0.00	0.00
Business by Geography	1,696	0.00	12.85	87.15	0.00	0.00
Farms by Geography	52	0.00	9.62	90.38	0.00	0.00
Family Distribution by Income Level	8,528	19.86	18.96	25.14	36.03	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	3,311	0.00	12.02	87.98	0.00	0.00
Median Family Income		38,927	Median Housing Value			56,106
HUD Adjusted Median Family Income for 2009		48,400	Unemployment Rate			20.70%
Households Below Poverty Level		16%				

(\*) The NA category consists of geographies that have not been assigned an income classification. Source: 2000 US Census, 2009 HUD updated MFI and Bureau of Labor Statistics as of February 2010

Competition in the Union County AA is moderate. Competitors in the AA include community and large national/regional financial institutions, finance companies, and mortgage banking firms. As of June 30, 2009, the Federal Deposit Insurance Corporation reported 5 deposit-taking financial institutions, with 10 offices, operating within the assessment area. Provident ranked second in deposit market share with 39.78 percent of the assessment area’s \$387 million in deposits. The bank also claims 7.24 percent of the mortgage lending volume (number of loans) market share, which ranks the bank 3 out of 79 total lending institutions in the AA.

The primary industries within Union County are government, manufacturing, retail trade, leisure and hospitality, and professional and business services. Primary employers in the AA include the Union County School System, Wallace Thompson Hospital, WRL Carlisle LLC., The Torrington Company, and the County of Union.

A community contact characterized the business environment within the assessment area as declining due to the economic downturn. They identified a need for lending to small businesses in the assessment area.

**Fairfield County AA**

The Fairfield County AA is composed of the complete County of Fairfield, which is one of six counties that make up the Columbia, SC MSA. The county is located in the upper piedmont region of South Carolina, situated between the Broad River on the west and Lake Wateree on the east. This assessment area is home to one full service branch, which is located in a moderate-income census tract in Winnsboro. The following table highlights the demographic composition of the AA:

Demographic Information for the Fairfield County Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	5	0.00	60	40	0.00	0.00
Population by Geography	23,454	0.00	55.2	44.8	0.00	0.00
Owner-Occupied Housing by Geography	6,799	0.00	51.17	48.83	0.00	0.00
Business by Geography	1,189	0.00	58.54	41.46	0.00	0.00
Farms by Geography	26	0.0	46.15	53.85	0.00	0.00
Family Distribution by Income Level	6,377	34.04	20.76	20.5	24.7	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	3,495	0.00	60.29	39.71	0.00	0.00
Median Family Income		49,202	Median Housing Value			62,864
HUD Adjusted Median Family Income for 2009		62,100	Unemployment Rate			14.10%
Households Below Poverty Level		21%				

(\*) The NA category consists of geographies that have not been assigned an income classification. Source: 2000 US Census, 2009 HUD updated MFI and Bureau of Labor Statistics as of February 2010

Competition in the Fairfield County AA is moderate. Competitors in the AA include community and large national/regional financial institutions, finance companies, and mortgage banking firms. As of June 30, 2009, the Federal Deposit Insurance Corporation reported three deposit-taking financial institutions, with five offices, operating within the assessment area. Provident ranks second in deposit market share with 27.78 percent of the assessment area’s \$185 million in deposits. The bank also claims 2.93 percent of the mortgage lending volume (number of loans) market share, which ranks the bank 9 out of 94 total lending institutions in the AA.

The primary industries within Fairfield County are manufacturing, education, health and services. Primary employers in the AA include South Carolina Energy and Gas, the Fairfield County School District, the County of Fairfield, The Ben Arnold-Sunbelt Beverage Company of South Carolina, and Fairfield Memorial Hospital.

## Conclusions with Respect to Performance Tests

The bank's overall CRA performance is Satisfactory. The Lending Test and Community Development Test are rated Satisfactory. The loan-to-deposit ratio is reasonable and a substantial majority of loans were made within the four defined assessment areas. Lending to borrowers of different incomes and to businesses of different sizes exhibited reasonable penetration. The bank's geographic distribution of loans reflected an excellent dispersion throughout census tracts of different income levels. Community development activities demonstrated adequate responsiveness to assessment area needs.

Several contributing factors were also considered to determine the bank's cumulative CRA performance rating. First, business lending was allocated a greater weight in determining the bank's performance under the Lending Test, as the bank generated a larger volume of commercial loans during the evaluation period. While home mortgage lending is a significant product on the bank's balance sheet, the majority of these loans were originated or purchased prior to this examination's evaluation period. The national economic recession impacted the bank's AAs, which limited the volume of home mortgage activity.

Next, performance in all assessment areas (AAs) was not treated equally. Performance in the York County and Greenville/Laurens County AAs were given greater emphasis, as they were the bank's primary lending markets during the evaluation period. The volume of lending generated in the Fairfield County AA was not significant enough to yield a meaningful analysis; therefore, the AA was evaluated under a limited-scope review. The Fairfield County AA was only responsible for approximately three percent of the bank's lending activity during the evaluation period. The Union County AA was given a full scope review because the AA generated approximately forty-six (46) percent of the bank's deposits.

Finally, local economic conditions, relatively high local poverty and unemployment rates, competition from other financial institutions, and the prevailing financial capacity of this institution were also considered to determine the bank's overall CRA performance rating.

### LENDING TEST

Provident's performance under the Lending Test is rated Satisfactory. The bank's quarterly average net loan-to-deposit ratio is reasonable, considering the bank's size, financial condition, and the credit needs of the assessment areas (AAs). A substantial majority of loans were made within the bank's four AAs. Provident's lending to borrowers of different incomes and to businesses of different sizes exhibited reasonable penetration in their AAs. The bank's geographic distribution of loans reflected an excellent dispersion throughout census tracts of different income levels.

All criteria of the Lending Test are documented below.

**Loan-to-Deposit Ratio**

The loan-to-deposit (LTD) ratio meets the standard for satisfactory performance. Provident’s quarterly average LTD ratio since the last CRA examination dated April 30, 2007 is 89.5 percent. This percentage is reasonable considering the bank’s asset size, financial condition, and lending opportunities in the assessment areas. During this time period, the ratio ranged from a quarterly low of 74.9 percent to a quarterly high of 101.9%.

The bank’s LTD ratio compares reasonably with other community banks of similar size located in or near the bank’s assessment areas. Provident ranked fourth among a total of eight comparable community banks with asset sizes ranging from \$421 million to \$495 million. The other seven banks had an average net loan-to-deposit ratio of 87.3 percent during the evaluation period. The comparable institutions exhibited an average LTD ratio that ranged from a low of 64.1 percent to a high of 104.4 percent.

**Lending in Assessment Area**

A substantial majority of loans were made within the bank’s four assessment areas, which meets the standard for outstanding performance. Performance for home mortgage and small business lending, the bank’s primary products, is detailed in the following table:

<b>Assessment Area Lending (Evaluation Period January 1, 2008 to March 31, 2010)</b>										
	Number of Loans					Dollars of Loans (thousands)				
	Inside		Outside		Total	Inside		Outside		Total
Home Purchase	51	73.9%	18	26.1%	69	3,565	64.7%	1,945	35.3%	5,510
Refinance	115	92.0%	10	8.0%	125	8,284	81.5%	1,876	18.5%	10,160
Home Improvement	40	93.0%	3	7.0%	43	697	94.8%	38	5.2%	735
Small Business	40	83.3%	8	16.7%	48	11,079	84.1%	2,091	15.9%	39,649
Total	246	86.3%	39	13.7%	285	50,104	89.4%	5,950	10.6%	56,054

**Lending to Borrowers of Different Incomes and to Businesses of Different Sizes**

Provident’s lending to borrowers of different incomes and to businesses of different sizes exhibits reasonable penetration in their assessment areas (AAs). The bank’s distribution of home mortgage loans to families of different income levels demonstrated reasonable penetration. Lending to businesses of different sizes also exhibited reasonable penetration, in particular with regard to small business lending.

York County AA

Provident’s distribution of loans in the assessment area (AA) demonstrated a reasonable penetration to borrowers of different sizes. The distribution of home mortgage loans exhibited reasonable penetration among families of different income levels. The distribution of loans to businesses of different sizes also reflected reasonable penetration.

*Home Mortgage*

The distribution of home mortgage loans to families of different income levels exhibited reasonable penetration. Home refinance loans were the only product incorporated into our review, as it was the only product that generated sufficient volume in the AA to merit a meaningful analysis. The bank’s volume of lending to low-income families in the AA does not meet the standard for satisfactory performance and is well below the demographic comparator. However, the bank’s lending to moderate-income families exceeded the standard for satisfactory performance, as is reflected in the statistical analysis.

The AA exhibited several characteristics that negatively impacted the bank’s ability to lend to low- and moderate-income families, such as 1) a relatively high percentage of AA households living below the poverty level, 2) an unemployment rate approximately 25% greater than state average, 3) strong competition for lending opportunities from other financial institutions and 4) an economy experiencing the strain of a national recession.

The following table shows the distribution of home loan products among borrowers of different income levels as compared to the percent of families in each income category.

<b>Borrower Distribution of Home Mortgage Loans in the York County AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Refinance	21.03	9.52	19.78	33.33	24.40	19.05	34.79	38.10

*Source: HMDA Data, 2000 US Census*

*Business Loans*

The distribution of loans to businesses of different sizes reflected reasonable penetration. Seventy-five (75) percent of the bank’s sampled loans to businesses during the evaluation period were made to small businesses. Small businesses are businesses with gross annual revenues of one million dollars or less. This is considered satisfactory compared to demographic data that identifies approximately 78 percent of the area’s businesses as small businesses. The distribution of loans by dollar amount was also reviewed to determine the bank’s distribution adequacy. Seventy (70) percent of the business loans in our sample were loans under \$250 thousand, which provides additional support for a reasonable distribution of loans to small businesses.

The following tables illustrate the distribution of commercial loans among different sized businesses in the AA.

<b>Borrower Distribution of Loans to Businesses in the York County AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable	Total
% of AA Businesses	78.06	4.51	17.43	100
% of Bank Loans in AA by #	75.00	20.00	5.00	100
% of Bank Loans in AA by \$	43.16	54.17	2.67	100

*Source: Loan sample, 2000 US Census, Dunn and Bradstreet data.*

<b>Borrower Distribution of Loans to Businesses by Loan Size in the York County AA</b>				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans (\$000)	Percent of Dollar Volume
\$0 - \$100,000	8	40	407	7
\$100,001 - \$250,000	6	30	936	17
\$250,001 - \$500,000	5	25	1,606	29
\$500,001 - \$1,000,000	0	0	0	0
Over \$1,000,000	1	5	2,667	47
Total	20	100	5,616	100

*Source: Loan Sample*

### Greenville/Laurens County AA

Provident’s distribution of loans in the assessment area (AA) demonstrated reasonable penetration to borrowers of different sizes. The distribution of home mortgage loans exhibited reasonable penetration among families of different income levels. The distribution of loans to businesses of different sizes also reflected reasonable penetration.

#### *Home Mortgage*

The distribution of home mortgage loans to families of different income levels exhibited reasonable penetration. Home refinance loans were the only product incorporated into our review, as it was the only product that generated sufficient volume in the AA to merit a meaningful analysis. The bank’s volume of lending to low-income families in the AA is well below the demographic comparator. However, the bank’s lending to moderate-income families exceeded the standard for satisfactory performance, as is reflected in the statistical analysis.

The AA exhibited several characteristics that negatively impacted the bank’s ability to lend to low- and moderate-income families, such as 1) a relatively high percentage of AA households living below the poverty level, 2) strong competition for lending opportunities from other financial institutions and 3) an economy experiencing the strain of a national recession. Consideration was given to these contributing factors while evaluating the bank’s lending performance.

The following table shows the distribution of home loan products among borrowers of different income levels as compared to the percent of families in each income category.

<b>Borrower Distribution of Home Mortgage Loans in the Greenville/Laurens County AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Refinance	19.85	10.53	17.86	21.05	21.26	5.26	41.02	63.16

Source: HMDA Data, 2000 US Census

### Business Loans

The distribution of loans to businesses of different sizes reflected reasonable penetration. Sixty-five (65) percent of the bank’s sampled loans to businesses during the evaluation period were made to small businesses. Small businesses are businesses with gross annual revenues of one million dollars or less. This is considered satisfactory compared to demographic data that identifies approximately 75 percent of the area’s businesses as small businesses. The distribution of loans by dollar amount was also reviewed to determine the bank’s distribution adequacy. Seventy (70) percent of the business loans in our sample were loans under \$250 thousand, which provides additional support for a reasonable distribution of loans to small businesses.

The following tables illustrate the distribution of commercial loans among different sized businesses in the AA.

<b>Borrower Distribution of Loans to Businesses in the Greenville/Laurens County AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable	Total
% of AA Businesses	75.40	5.04	19.56	100
% of Bank Loans in AA by #	65.00	25.00	10.00	100
% of Bank Loans in AA by \$	44.17	41.65	14.19	100

Source: Loan sample, 2000 US Census, Dunn and Bradstreet data.

<b>Borrower Distribution of Loans to Businesses by Loan Size in Greenville/Laurens County AA</b>				
Loan Size (000’s)	Number of Loans	Percent of Number	Dollar Volume of Loans (\$000)	Percent of Dollar Volume
\$0 - \$100,000	9	45	330	6
\$100,001 - \$250,000	5	25	837	15
\$250,001 - \$500,000	3	15	861	16
\$500,001 - \$1,000,000	2	10	1,435	26
Over \$1,000,000	1	5	2,000	37
Total	20	100	15,049,641	100

Source: Loan Sample

### Union County AA

Provident’s distribution of loans in the assessment area (AA) demonstrated a reasonable penetration to borrowers of different sizes. Home mortgage loans were the only product evaluated in the AA, which is indicative of the bank’s emphasis on retail lending in the AA. Commercial loans are also generated in the area, but the volume of such loans is not significant in comparison to commercial lending volumes observed in the York County and Greenville/Laurens County AAs.

*Home Mortgage*

The distribution of home mortgage loans to families of different income levels exhibited reasonable penetration. Our review of home mortgage lending in the AA incorporated an analysis of home purchase and home refinance loans originated during the evaluation period. The bank’s volume of home purchase lending to low- and moderate-income families in the AA is well below the demographic comparator. However, the bank’s home refinance lending to low- and moderate-income families exceeded the standard for satisfactory performance.

We considered several characteristics that negatively impacted the bank’s ability to lend to low- and moderate-income families while evaluating the bank’s lending performance.

For example, consideration was given to 1) a relatively high percentage of AA households living below the poverty level, 2) a local unemployment rate that is approximately 67% greater than state average, 3) a relatively low percentage of AA owner occupied housing units, and 4) an economy experiencing the strain of a national recession. Finally, greater emphasis was given to the bank’s home refinance lending performance, as the bank generated twice as many of these loans as compared to home purchase loans.

The following table shows the distribution of home loan products among borrowers of different income levels as compared to the percent of families in each income category.

<b>Borrower Distribution of Home Mortgage Loans in the Union County AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	19.86	0.00	18.96	10.00	25.14	0.00	36.03	90.00
Home Refinance	19.86	21.88	18.96	37.50	25.14	18.75	36.03	21.88

*Source: HMDA Data, 2000 US Census*

Conclusion for Fairfield County Limited-Scope AA

Based on a limited-scope review, performance in the Fairfield County AA is not inconsistent with the lending performance exhibited by the bank’s full-scope assessment areas.

Borrower Distribution of Home Mortgage Loans in the Fairfield County AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Refinance	34.04	14.29	20.76	14.29	20.50	14.29	24.70	57.14

Source: HMDA Data, 2000 US Census

### Geographic Distribution of Loans

Provident’s geographic distribution of loans reflected an excellent dispersion throughout census tracts of different income levels. Home mortgage loans and business loans were the primary lending products evaluated to determine the bank’s lending performance. Home mortgage loans in the AA reflected an excellent dispersion throughout census tracts of different income levels, including low- and moderate-income census tracts. Commercial lending also exhibited an excellent dispersion throughout census tracts of different income levels, with excellent responsiveness to the credit needs of businesses residing in low- and moderate-income geographies. No conspicuous gaps or areas of low penetration were identified during the review.

#### York County AA

Provident’s geographic distribution of loans in the AA reflected an excellent dispersion throughout census tracts of different income levels. The distribution of home mortgage and business loans exhibited excellent dispersion throughout census tracts of different income levels.

#### *Home Mortgage*

The bank’s geographic distribution of home mortgage loans in the AA reflected an excellent dispersion throughout census tracts of different income levels, including low- and moderate-income census tracts. Home refinance loans were the only product incorporated into our review, as it was the only product that generated sufficient volume in the AA to merit a meaningful analysis. The bank’s home mortgage lending performance in low- and moderate-income census geographies exceeded the standard for satisfactory performance. The percentage of home refinance loans originated or purchased in low- and moderate-income census tracts is well above the comparable percentage of owner occupied housing units located within.

The following table details the bank’s performance as compared to the percentage of owner occupied housing units in each census tract income level.

Geographic Distribution of Home Mortgage Loans in the York County AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Refinance	1.23	4.76	17.15	33.33	63.79	52.38	17.83	9.52

Source: HMDA data; 2000 U.S. Census data

**Business Loans**

The bank’s geographic distribution of business loans reflected an excellent dispersion throughout census tracts of different income levels. Lending to businesses located in low-income census tracts was deemphasized, due to the minimal percentage of businesses residing within. However, the bank’s lending to businesses in moderate-income census tracts greatly exceeded the percentage of businesses residing within.

The following table details the bank’s performance as compared to the percentage of businesses in each census tract income level.

Geographic Distribution of Loans to Businesses in the York County AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business	0.99	0.00	24.21	30.00	50.16	65.00	24.61	0.00

Source: Loan sample; Dunn and Bradstreet

\*1 census tract in the AA did not report income levels and represented less than 1% of AA businesses

**Greenville/Laurens County AA**

Provident’s geographic distribution of loans in the AA reflected an excellent dispersion throughout census tracts of different income levels. The distribution of home mortgage and business loans exhibited excellent dispersion throughout census tracts of different income levels.

**Home Mortgage**

The bank’s geographic distribution of home mortgage loans in the AA reflected an excellent dispersion throughout census tracts of different income levels, including low- and moderate-income census tracts. Home refinance loans were the only product incorporated into our review, as it was the only product that generated sufficient volume in the AA to merit a meaningful analysis. The bank’s home mortgage lending performance in moderate-income geographies exceeded the standard for satisfactory performance. The bank’s lending performance in low-income geographies was deemphasized due to the limited number of owner occupied housing units located in them.

The following table details the bank’s performance as compared to the percentage of owner occupied housing units in each census tract income level.

<b>Geographic Distribution of Home Mortgage Loans in the Greenville/Laurens County AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Refinance	1.35	0.00	17.44	36.84	52.11	42.11	29.10	21.05

Source: HMDA data; 2000 U.S. Census data

**Business Loans**

The bank’s geographic distribution of business loans reflects an excellent dispersion throughout census tracts of different income levels. Lending to businesses located in low-income census tracts exceeded the standard for satisfactory performance, as the percentage of bank loans generated in these areas greatly exceeded the percentage of businesses residing within. The bank’s lending to businesses located in moderate-income census tracts also exhibited outstanding performance, as the percentage of loans generated in these areas nearly doubled the percentage of businesses residing within.

The following table details the bank’s performance as compared to the percentage of businesses in each census tract income level.

<b>Geographic Distribution of Loans to Businesses in the Greenville/Laurens County AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business	3.67	10.00	16.28	30.00	49.13	45.00	30.93	15.00

Source: Loan sample; Dunn and Bradstreet

**Union County AA**

Provident’s geographic distribution of loans in the AA reflected an excellent dispersion throughout census tracts of different income levels. Home mortgage loans were the only product evaluated in the AA, which is indicative of the bank’s emphasis on retail lending in the AA. Commercial loans are also generated in the area, but the volume of such loans is not significant in comparison to commercial lending volumes observed in the York County and Greenville/Laurens County AAs. Finally, lending opportunities in the AA are limited, as there are no low-income census tracts and only one moderate-income census tract.

*Home Mortgage*

The bank’s geographic distribution of residential loans in the AA reflected an excellent dispersion throughout census tracts of different income levels, including the AA’s one moderate-income census tract. The bank’s lending performance in the moderate-income geography exceeded the standard for satisfactory performance. The percentage of home purchase and home refinance loans originated or purchased in the moderate-income census tract is well above the comparable percentage of owner occupied housing units located within.

The following table details the bank’s performance as compared to the percentage of owner occupied housing units in each census tract income level.

<b>Geographic Distribution of Home Mortgage Loans in the Union County AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0.00	0.00	7.94	20.00	92.06	80.00	0.00	0.00
Home Refinance	0.00	0.00	7.94	9.38	92.06	90.63	0.00	0.00

*Source: HMDA data; 2000 U.S. Census data*

**Conclusions for the Fairfield County Limited-Scope AA**

Based on a limited-scope review, performance in the Fairfield County AA is not inconsistent with the lending performance exhibited by the bank’s full-scope assessment areas.

<b>Geographic Distribution of Home Mortgage Loans in the Fairfield County AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Refinance	0.00	0.00	51.77	73.33	48.83	26.67	0.00	0.00

*Source: HMDA Data, 2000 US Census*

**Responses to Complaints**

The bank has not received any CRA-related consumer complaints during the evaluation period.

## COMMUNITY DEVELOPMENT TEST

The Community Development Test is rated Satisfactory. The bank has exhibited adequate responsiveness to community development (CD) needs of the assessment areas (AAs) through CD lending, investments, and services. The bank's CD activities primarily assisted in providing affordable housing, small business development and economic revitalization. While these activities are not innovative or complex, they do fulfill an identified need with the AAs.

Several contributing factors were considered and utilized to determine the bank's Community Development Test performance. First, economic conditions in the bank's AAs deteriorated significantly during the evaluation period. As a result, banks had to employ increased fiscal responsibility to protect declining earnings. Next, the market deterioration catalyzed increasing rates of unemployment and small business failure that limited CD lending opportunities. The bank's AAs exhibit significant competition from other lending institutions, which further increased the competition for limited CD loan opportunities. Finally, additional consideration was given to CD activities that benefitted the greater South Carolina region, as the bank adequately addressed the needs of its designated assessment areas.

### Performance in the York County AA

The bank has demonstrated adequate responsiveness to the community development needs of this AA, considering its performance context and the needs and opportunities within the AA.

### *Community Development Loans*

The level of community development lending in the York County assessment area (AA) is satisfactory. The bank originated one (1) community development loan in the AA during the evaluation period, totaling approximately \$459 thousand. Provident adequately addressed the needs of the community through lending that revitalized a moderate-income area that was designated by the City of Rock Hill for blight. The rehabilitation of a commercial building is targeted to increase job opportunities for the local workforce.

### *Qualified Investments*

Provident made one (1) qualified community development donation in the AA during the evaluation period. The bank made a donation that totaled \$500 and benefited a local entity that provides educational assistance and afterschool opportunities to low- and moderate-income (LMI) children. In 2009, the bank also committed \$1 million to a local finance corporation that sought to obtain a New Market Tax Credit (NMTC). The entity was not granted a NMTC, so the funds were never disbursed. However, the bank is in the process of reestablishing its commitment with the entity, as they are attempting to obtain a NMTC again.

### *Community Development Services*

The bank's level of community development services demonstrates adequate responsiveness to the community development needs of its assessment area. The bank operates three (3) branches in the assessment area, one of which is located in a moderate-income census tract in Rock Hill, SC.

Four (4) bank officers provided community development services to four (4) qualifying programs in the AA. The qualifying services included the following:

- One bank officer served as Vice Chairman for a 501c(3) tax exempt corporation that fosters economic development and growth by providing gap financing to small businesses.
- One officer served as president of a finance corporation that promotes small business growth. The corporation offers loan programs, such as: a SBA 504 loan fund program, a revolving loan fund program, an intermediary relending program, and a community development financial institutions (CDFI) program.
- Two officers serve on the Board and Leadership Committee of an organization that promotes economic development through job creation and revitalization of distressed areas.
- One officer serves on the Finance Committee for the local chapter of Habitat for Humanity, which assists and provides LMI families with affordable housing.

### Performance in the Greenville/Laurens County AA

The bank has demonstrated adequate responsiveness to the community development needs of this AA, considering its performance context and the needs and opportunities within the AA. The institution's limited capacity and available opportunities for providing community development services within the assessment area were considered in the performance evaluation. While bank employees provided no CD services during the evaluation period, the bank provided exceptional support for affordable housing in the AA.

### *Community Development Loans*

The level of community development lending in the Greenville/Laurens County assessment area (AA) is satisfactory. The bank originated one (1) community development loan in the AA during the evaluation period, totaling approximately \$1 million. Although Provident's CD lending activity was limited in the AA, they adequately addressed a need of the community. In 2009, the bank participated in a loan that assisted a local organization that provides affordable housing for LMI families. The proceeds of the participation assisted the construction of ten duplexes and eight single family homes, which provided a total of twenty-eight (28) units of new affordable housing in the AA.

### *Qualified Investments*

Provident made five (5) qualified community development donations in the AA during the evaluation period, and had one (1) prior period investment with a remaining balance.

The donations totaled approximately \$3 thousand and benefited three local entities that provide housing, financial, medical and educational assistance to LMI and displaced families. The bank also maintained a mortgage back security (MBS) with a book value of approximately \$956 thousand. The MBS is secured by home mortgages made to LMI borrowers in the AA. While these investments are not innovative or complex, they are responsive to identified community needs.

### *Community Development Services*

The bank operates two (2) branches in the assessment area, one of which is located in a moderate-income census tract in Laurens, SC. No CD services were provided by bank employees during the evaluation period.

### Performance in the Union County AA

The bank has demonstrated adequate responsiveness to the community development needs of this AA, considering its performance context and the needs and opportunities within the AA.

### *Community Development Loans*

The bank originated three (3) community development loans in the AA during the evaluation period, totaling approximately \$66 thousand. Provident adequately addressed the needs of the community through lending that provided housing, financial, educational and medical assistance for low- and moderate-income (LMI) families and special needs residents. The following highlights community development lending in the AA:

- In 2007, the bank granted funding to one local organization that provides housing, financial and educational assistance for LMI families. The loan provided funds that enabled the entity to remain operable.
- In 2007 and 2008, the bank made two loans to a special needs organization totaling \$31 thousand. The funds allowed the entity to purchase transport vehicles that enabled LMI residents with development impediments to receive medical treatment they otherwise would not have had access to.

### *Qualified Investments*

Provident made two (2) qualified community development donations in the AA during the evaluation period. The donations totaled \$400 and benefited one local entity. The donations contributed to an organization that provides housing assistance to LMI

families. While these investments are not innovative or complex, they are responsive to identified community needs.

### *Community Development Services*

Provident's level of community development services demonstrated adequate responsiveness to the community development needs of its assessment area. The bank operates three (3) branches in the assessment area, one of which is located in a moderate-income census and two that are located in Distressed Middle-Income Non-Metropolitan Census Tracts.

Four (4) bank officers provided community development services to five (5) qualifying programs in the AA. The qualifying services included the following:

- One officer assisted a subdivision of the local housing authority, which provides housing and economic development assistance for LMI residents. The officer also assisted an entity that ensures unemployed LMI residents receive educational and occupational services.
- One officer served on the Advisory Board for the local chapter of the United Way.
- One officer served as Treasurer for the local chapter of Habitat for Humanity, which assists and provides LMI families with affordable housing.
- One officer served as Treasurer and Vice President for an organization that assists adults with developmental disabilities. The disabilities these individuals possess inhibit them from maintaining meaningful employment.

### Performance in the Fairfield County Limited-Scope AA

Based on a limited-scope review, performance in the Fairfield County AA is not inconsistent with the community development performance exhibited by the bank's full-scope assessment areas. The bank made one (1) CD loan totaling \$500 thousand, which assisted a local hospital that predominately serves LMI patients. Provident made four (4) qualified donations that benefited one local entity that provides housing, financial and medical assistance to LMI and displaced families. The bank operates one full service branch in the AA, which is located in a moderate-income census tract.

### Performance in South Carolina

In addition to community development (CD) activities that directly benefited their assessment areas, the bank also participated in CD activities that benefited South Carolina. The following activities were considered to determine the bank's cumulative CD performance.

### *Community Development Investments*

Provident made two (2) qualified CD investments that benefited the larger South Carolina region during the evaluation period. The investments totaled approximately \$1.1 million and included:

- The bank invested \$1 million into a fund that assisted an entity that develops affordable housing for LMI families. The funds resulted in 878 units of affordable housing in South Carolina. Approximately 27 percent of the funding dollars benefited the bank's assessment areas and added 238 units of affordable housing. The Greenville/Laurens County AA benefited from 142 units of affordable housing, while the Fairfield County AA benefited from 96 units of affordable housing.
- The bank holds a certificate of deposit worth approximately \$120 thousand at a minority owned bank. The bank offers personalized products and services to traditionally underserved communities and to small businesses.

### *Community Development Services*

One bank officer provided community development services to one (1) qualifying entity. The officer served as Vice Chairman and Loan Committee Chairman for a corporation that specializes in providing SBA 7A loans to businesses in South Carolina.

## **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.