



## **INTERMEDIATE SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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### **PUBLIC DISCLOSURE**

**April 30, 2007**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Provident Community Bank, National Association  
Charter Number 24420**

**203 West Main Street  
Union, SC 29379**

**Comptroller of the Currency  
Carolinas Field Office  
6100 Fairview Road, Suite 1154  
Charlotte, NC 28210**

**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:

- A majority of residential real estate loans and small business loans were made within the bank's four assessment areas.
- The loan-to-deposit ratio reflects a reasonable level of lending with a 79 percent ratio for the 14 quarters during the evaluation period.
- Lending to borrowers of different incomes and businesses of different sizes is excellent. Small business lending is particularly strong in all assessment areas and residential real estate lending to moderate-income borrowers is also good.
- The geographic distribution of loans meets the standard for satisfactory performance. Penetrations for both small business and residential real estate lending in the moderate-income census tracts are good.
- Community development activities demonstrate good responsiveness to the financial needs in the four assessment areas. Provident has met needs through community development loans, investments and services. The branch distribution, products, and services help make banking services available to low- and moderate-income individuals throughout the four assessment areas.

## **SCOPE OF EXAMINATION**

Performance for Provident Community Bank, National Association (Provident) was assessed under the Lending Test and Community Development Test. In evaluating the bank's lending performance, we reviewed residential real estate and small business lending. This is the first time Provident has been evaluated for CRA as a national bank. For residential lending, we reviewed loans reported for the Home Mortgage Disclosure Act (HMDA) during 2004, 2005, and 2006. For commercial lending, we reviewed small business loan data collected during 2004 and 2005. Due to changes in CRA, the bank is no longer required to collect small business data and 2006 data is not available. The 2004 and 2005 data is considered representative of lending throughout the evaluation period, so no additional information was requested.

Community development activities were evaluated after the bank's conversion to a national bank in July 2003 through year-end 2006.

## **DESCRIPTION OF INSTITUTION**

Provident is an intrastate community bank headquartered in Union, South Carolina. The bank has no operating affiliates and is owned by Provident Community Bancshares, Inc., a one-bank holding company. Nine branch locations are operated including one in the headquarters location. Branches are located in Union, Jonesville, Winnsboro, Laurens, Rock Hill, and Simpsonville. Since Provident converted from a thrift institution in 2003, this is the first CRA evaluation. One branch was opened during 2006 in Simpsonville in Greenville County. However, CRA performance in Greenville County is not evaluated since the branch was added toward the end of this evaluation period. No branches have been closed during the evaluation period.

A variety of deposit and loan products for businesses and individuals are offered, as described in the CRA Public File. Additional details about branch locations, products and services are available through the bank's website: <http://www.providentonline.com>. Primary lending focus includes commercial, construction, and residential real estate.

As of December 31, 2006, assets totaled \$388 million. Loans represent the largest portion of assets at \$235 million, and consist of 32 percent commercial and commercial real estate, 31 percent 1-4 family residential real estate, 31 percent construction loans, 4 percent consumer loans, and 2 percent other types of loans.

No legal or financial factors impede Provident's ability to meet the credit needs in its AAs.

## **DESCRIPTION OF ASSESSMENT AREAS**

Provident has four assessment areas (AAs). All AAs are contiguous, but represent three different MSAs and one non-MSA, and cannot be combined for CRA analysis purposes. The main office is located in the Union County AA. Each AA is described in more detail below. All AAs meet legal requirements, and do not arbitrarily exclude low- or moderate-income geographies.

### **Union County AA**

Union County is a non-metropolitan statistical area. Union County is located in the Northwestern part of South Carolina. Much of the county is sparsely populated, with the majority of residents living within close proximity of the city of Union. Other towns in the county include Carlisle, Jonesville, and Lockhart. Approximately 18 percent of the county is part of the Sumter National Forest, which further limits development and lending opportunities in the county.

Union County experienced a loss in population of approximately 1.5 percent between 1990 and 2000, according to Census data. The closure of textile mills in the area has caused higher unemployment rates, and exacerbated a downturn in the local economy. Based upon 2000

census data, approximately 20 percent of families in the assessment area are considered low-income. The eight middle-income census tracts in Union County are categorized as Distressed Middle-Income Non-metropolitan Census Tracts due to high unemployment levels. The South Carolina Office of Research and Statistics estimates unemployment at 11.2 percent for 2005, with an average rate of 7.8 percent between 1996 and 2005. Additional demographic and economic information are summarized below:

<b>Demographic and Economic Characteristics of Union County Assessment Area</b>	
<b>Population</b>	
Total Population	29,881
Number of Families	8,528
<b>Geographies</b>	
Number of Census Tracts	9
% Low-Income Census Tracts	0%
% Moderate-Income Census Tracts	11%
% Middle-Income Census Tracts	89%
% Upper-Income Census Tracts	0%
<b>Median Family Income (MFI)</b>	
2000 MFI for AA	\$38,927
2006 HUD-Adjusted MFI	\$46,600
<b>Economic Indicators</b>	
Unemployment Rate	3.4%
2000 Median Housing Value	\$56,106
% Households Below Poverty Level	16%

*Source: 2000 Census data and HUD updated income data.*

The loss of the major manufacturing companies over recent years has caused a loss in jobs and a downturn in the economy. Competition for financial services includes three banks and various finance companies. Provident's presence helps provide needed financial services in this distressed county. An interview was conducted with a community contact familiar with the area who also described the area as having a depressed economy and high unemployment. The contact identified affordable housing as a big need for the county, due to limited housing and an older housing stock.

### **York County AA**

York County is located in the Piedmont Areas of the Carolinas in Northern South Carolina. The county is northeast and adjacent to Union County. York County comprises the entire Charlotte-Gastonia-Concord MSA. The county is located approximately 30 miles southwest of Charlotte, North Carolina and 75 miles north of Columbia, South Carolina. York is the county seat, and Rock Hill is the largest city and commercial center in York County. Other county cities include Hickory Grove, McConnells, Sharon, and Smyrna.

Primary employment includes manufacturing, wholesale, retail education, health, social services and general services. The largest employers include the Rock Hill School District, Bowater Incorporated, Amisub of South Carolina, Wells Fargo Home Mortgage, Winthrop University and U.S. Food Services, Inc. The unemployment rate is reported at 6.6 percent in 2005, according to the South Carolina Office of Research and Statistics. Refer to the table below for demographic and economic characteristics.

<b>Demographic and Economic Characteristics of York County Assessment Area</b>	
<b>Population</b>	
Total Population	164,614
Number of Families	45,053
<b>Geographies</b>	
Number of Census Tracts	35
% Low-Income Census Tracts	3%
% Moderate-Income Census Tracts	29%
% Middle-Income Census Tracts	54%
% Upper-Income Census Tracts	11%
% NA Income Level Census Tracts	3%
<b>Median Family Income (MFI)</b>	
2000 MFI for AA	\$54,850
2006 HUD-Adjusted MFI	\$64,400
<b>Economic Indicators</b>	
Unemployment Rate	3.2%
2000 Median Housing Value	\$109,723
% Households Below Poverty Level	10%

*Source: 2000 Census data and HUD updated income data.*

York County has a competitive financial services market, and Provident competes with 12 banks including community and large national financial institutions, savings and loans, credit unions and finance companies. A community contact characterized York County as a vibrant growing community. It benefits from close proximity to Charlotte. Financial needs include small business lending and affordable housing. Housing needs include financial education, and down payment subsidies to help people qualify for home mortgage loans.

### **Laurens County AA**

Laurens County is located southwest and adjacent to Union County. Laurens is the county seat. Other cities include Clinton, Gray Court, Cross Hill, Fountain Inn, Ware Shoals, and Waterloo. Laurens County is part of the Greenville MSA, and was added to the MSA during 2003. Prior to 2003, Laurens County was not part of an MSA.

Manufacturing and research are important to the local economy. Large employers include Wal-Mart, The Torrington Co., South Carolina Department of Disabilities and Special Needs, and the Laurens school districts. The unemployment rate is high, and was reported as 8.1 percent in January 2007 by the Laurens County Development Corporation. The table below details demographic and economic data for Laurens County.

<b>Demographic and Economic Characteristics of Laurens County Assessment Area</b>	
<b>Population</b>	
Total Population	69,567
Number of Families	18,915
<b>Geographies</b>	
Number of Census Tracts	10
% Low-Income Census Tracts	0%
% Moderate-Income Census Tracts	30%
% Middle-Income Census Tracts	70%
% Upper-Income Census Tracts	0%
<b>Median Family Income (MFI)</b>	
2000 MFI for AA	\$47,387
2006 HUD-Adjusted MFI	\$56,500
<b>Economic Indicators</b>	
Unemployment Rate	3.4%
2000 Median Housing Value	\$68,211
% Households Below Poverty Level	14%

*Source: 2000 Census data and HUD updated income data.*

Competition comes from seven banks with branches in the county and from local finance companies.

### **Fairfield County AA**

Fairfield County is located southeast and adjacent to Union County. Winnsboro is the largest city, and is the county seat. Fairfield County is located between Columbia, South Carolina and Charlotte, North Carolina, and is approximately 20 miles north of Columbia. Fairfield County is part of the Columbia MSA and was added during 2003. Prior to 2003, Fairfield County was not part of an MSA.

Major industries include trucking, pulpwood production, and manufacturing. Primary industry employers include INVISTA, Ben Arnold-Sunbelt Beverage, Lang-Mekra North America, Perry Ellis Menswear, Isola USA, and St. Gobain Technical Fabrics. Two lakes provide recreational opportunities, Lake Wateree in eastern Fairfield County and Lake Monticello in western Fairfield County. The unemployment rate has remained relatively steady over the past several

years, and is reported at 7.9 percent in January 2005 by the South Carolina Office of Research and Statistics. Refer to the table below for additional demographic and economic data for Fairfield County:

<b>Demographic and Economic Characteristics of Fairfield County Assessment Area</b>	
<b>Population</b>	
Total Population	23,454
Number of Families	6,377
<b>Geographies</b>	
Number of Census Tracts	5
% Low-Income Census Tracts	0%
% Moderate-Income Census Tracts	60%
% Middle-Income Census Tracts	40%
% Upper-Income Census Tracts	0%
<b>Median Family Income (MFI)</b>	
2000 MFI for AA	\$49,202
2006 HUD-Adjusted MFI	\$58,900
<b>Economic Indicators</b>	
Unemployment Rate	3.2%
2000 Median Housing Value	\$62,864
% Households Below Poverty Level	21%

*Source: 2000 Census data and HUD updated income data.*

Three other banks have branches in Fairfield County, and the bank also competes with finance companies. A community contact indicated that Fairfield County has a depressed economy with high unemployment, and identified affordable housing as a critical credit need.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

The bank's overall CRA performance is good. The Lending Test and Community Development Test are rated "Satisfactory". The loan-to-deposit ratio is reasonable, a majority of loans were made within the four defined AAs, and the geographic distribution of loans is good. Lending to businesses of different sizes is excellent and residential real estate lending to borrowers of different incomes is also good. Community development activities demonstrate good responsiveness to AA needs especially in the Union County AA. The number, dollars invested, and variety of community development activities show commitment to meeting community credit needs.

We analyzed lending performance for each AA using small business and HMDA loans. Since home improvement loans are not a significant product for Provident, we did not evaluate the borrower or geographic distribution of home improvement loans.

After considering the bank's branch network, deposits taken, and loan volume in each market,

the Union County AA received the most weight in our evaluation. Performance in the York County AA was weighted more than the Laurens and Fairfield County AAs. For AA loans reviewed for this evaluation, 41 percent were made in the York County AA, 34 percent in the Union County AA, 13 percent in the Laurens County AA, and 12 percent in the Fairfield County AA. The major portion of bank deposits is attributed to the Union County AA with 55 percent of deposits. The remainder of deposits is equally distributed among the other three AAs.

## LENDING TEST

### Loan-to-Deposit Ratio

*The loan-to-deposit ratio meets the standard for satisfactory performance.* For the 14 quarters since the bank converted to a national bank, the average loan-to-deposit ratio is 79 percent. Performance compares favorably with seven similarly situated institutions that had an average ratio of 86 percent for the same time period, with a range from 65 percent to 99 percent.

### Lending in Assessment Area

*A majority of loans are made within the bank’s four AAs, and this performance meets the standard for satisfactory performance.* A majority of loans by number were made within the AA for each type of loan reviewed. By dollar volume performance is satisfactory, although the penetration for home improvement loans is weaker than the other product types.

Loan Type	Number of Loans				Total	Dollars of Loans				Total
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Purchase	206	81	49	19	255	21,491	72	8,432	28	29,923
Home Improvement	33	92	3	8	36	876	47	1,000	53	1,876
Home Refinance	353	87	51	13	404	32,804	83	6,876	17	39,680
Small Business	446	83	90	17	536	64,887	74	23,352	26	88,239
Totals	1,038	84	193	16	1,231	120,058	75	39,660	25	159,718

Source: data reported under HMDA and CRA

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

*Lending to borrowers of different income levels and to businesses of different sizes exceeds the standard for satisfactory performance.* The bank’s small business lending performance is strong, and residential lending performance to low- and moderate-income borrowers is good.

The bank’s residential loan performance to low-income borrowers is adequate, and overall performance to moderate-income borrowers is excellent. Although overall performance is good,



the bank's lending to low-income borrowers in the York County AA is weak with very low penetrations of home purchase and home refinance loans to low-income borrowers. Refer to Appendix A, Tables 2a through 2d for supporting data.

Lending to businesses of different sizes is excellent, and weighs heavily in overall conclusions. A substantial majority of reported loans were made to businesses with revenues less than \$1 million in the Union County AA, York County AA, Laurens County AA and Fairfield County AA. The percentage of loans made to businesses that report revenues less than \$1 million significantly exceeds the percentage of businesses in the AA that report business revenues less than \$1 million. Refer to Appendix A, Tables 3a through 3d for supporting data.

### **Geographic Distribution of Loans**

*The geographic distribution of loans meets the standard for satisfactory performance.*

Performance is adequate in the Union County and York County AAs. Performance is excellent in the Laurens County and Fairfield County AAs. Refer to Appendix B, Geographic Distribution Tables for supporting data.

The geographic distribution of residential real estate loans is good. The analysis is based primarily on lending in the moderate-income census tracts. Only the York County AA has low-income census tracts within the AA, and only one percent of owner-occupied units are located in the low-income level geography. Geographic distribution performance in Union and York Counties is considered adequate. For these AAs, the percentage of loans made in moderate-income census tracts is somewhat below the percentage of owner-occupied housing units. Geographic distribution performance in Laurens and Fairfield Counties is excellent, as the percentage of loans made in moderate-income census tracts is higher than the percentage of owner-occupied housing units in these AAs. Detailed information is displayed in Appendix B, Tables 4a through 4d.

The geographic distribution of small business loans is good. Excellent performance is noted for the Fairfield County AA as the bank's penetration of small business loans in the moderate-income census tracts significantly exceeds the percentage of AA businesses located in these census tracts. Detailed information is displayed in Appendix B, Tables 5a through 5d.

## **COMMUNITY DEVELOPMENT TEST**

### **Qualified Community Development Loans, Investments and Services**

The bank's community development performance demonstrates good responsiveness to community development needs in its AAs through community development loans, qualified investments, and community development services given Provident's resources and capacity. Performance is noteworthy for the Union County AA which is considered a distressed non-metropolitan middle-income community. The bank has addressed critical credit needs by making community development loans and investments that benefit low-and moderate income

residents and small businesses. Community development activities directly benefit Laurens, Union, and York counties. There is no direct community development activity in the Fairfield County AA. However, this is offset by investments that serve the regional area including Fairfield County, branch locations and product offerings that make banking products available to the low- and moderate-income population in Fairfield County.

### **Community Development Lending**

The bank funded seven community development loans totaling \$921 thousand. Community development lending benefits the Union County AA and the York County AA.

One line of credit for \$500 thousand is especially noteworthy and provides funding for a regional development corporation to assist in creating small businesses in Union and York Counties. A construction loan for \$400 thousand finances the development of 12 single family affordable housing units in York County. In addition, the bank has made several smaller loans to non-profit organizations that serve the low- and moderate-income populations in Union County. No community development loans were extended in the Laurens County AA or Fairfield County AA.

### **Community Development Investments**

Five qualified investments and donations totaling \$1.3 million were made during the evaluation period.

Significant investments include the following:

- A certificate of deposit in a minority bank that serves a regional area encompassing all AAs for \$100 thousand;
- An in-kind contribution of land to the Laurens County Habitat for Humanity; and,
- A \$1.2 million, mortgage backed security backed by affordable housing primarily in the Greenville MSA, benefiting Greenville and the surrounding areas. Although Greenville County is excluded in this analysis since the bank's presence in this market is new, this investment qualifies for CD credit serving the bank's AA and a broader area.

### **Community Development Services**

Provident provides a good level of community development services through its branches, products, and activities that support qualified community development activities.

The branch network is the primary delivery system for retail banking services, and provides good accessibility to banking services including low- and moderate-income individuals. Approximately 33 percent of branches are located in moderate-income census tracts. The branch distribution compares favorably with the percentage of businesses and population located in these census tracts. In addition, three Union County locations are located in middle-income census tracts, which are identified as distressed, and have a positive impact on providing banking services in this needy area. In addition, a new banking center located in a moderate-income

census tract in York County is scheduled to open, but is not included for this review.

Provident offers a full-range of deposit and loan products, and services are available at all banking center locations. Of particular importance to low- and moderate-income individuals, the bank offers a basic checking account with low minimum opening balance requirements, and a low fee structure.

During the evaluation period, bank officers and employees provided technical services and support to a number of organizations. Service activities focus primarily on community development needs in Union, York, and Laurens Counties. The Bank proactively identifies ways to serve the small business community on a county, regional and statewide basis by partnering with three development corporations.

### **Responses to Complaints**

No CRA related complaints were received during the evaluation period. This has a neutral impact on CRA performance.

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

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