

**CPP ANNUAL USE OF CAPITAL SURVEY - 2010**



NAME OF INSTITUTION  
(Include Holding Company Where Applicable)

Providence Bank

Point of Contact:	John A. Barker & Whitehurst	Ted	RSSD: (For Bank Holding Companies)	0
UST Sequence Number:	1215		Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	4,000,000		FDIC Certificate Number: (For Depository Institutions)	58239
CPP/CDCI Funds Repaid to Date:			Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	October 02, 2009		City:	Rocky Mount
Date Repaid <sup>1</sup> :	N/A		State:	North Carolina

<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) 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).**

**Increase lending or reduce lending less than otherwise would have occurred.**

During 2010 Providence Bank originated \$56.3 million in loans. Our outstandings increased by \$19.5 million or 15.8%.

**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.).**

The increase was mainly in commercial real estate, commercial mortgage loans and Business C & I loans.

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Increase securities purchased (ABS, MBS, etc.).

Empty response box for 'Increase securities purchased (ABS, MBS, etc.).'

Make other investments.

Empty response box for 'Make other investments.'

Increase reserves for non-performing assets.

Our Allowance for loan losses was increased by \$634,000 during 2010 or 34.9% during the year 2010.

Response box for 'Increase reserves for non-performing assets.' containing the text: 'Our Allowance for loan losses was increased by \$634,000 during 2010 or 34.9% during the year 2010.'

Reduce borrowings.

Empty response box for 'Reduce borrowings.'

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Increase charge-offs.

Purchase another financial institution or purchase assets from another financial institution.

Providence Bank purchased \$3.4 million from another community bank in a new market area we opened a bank branch in late 2009. This gave our customer exposure a large lift. The Bank also purchased \$8.9 million in commercial multi-family low to moderate income housing loans in NC.

Held as non-leveraged increase to total capital.

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

We would have not been able to continue to lend at the rate we outlined above and remain well capitalized if we had not had the capital infusion from the CPP Fund. The capital markets for banks, especially small community banks has almost disappeared. To raise any capital in today's markets you have to almost give the bank to future investors.

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

A large, empty rectangular box with a black border, intended for the respondent to provide a detailed answer to the question above.

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

A large, empty rectangular box with a black border, intended for the respondent to provide a detailed description of actions taken with the capital infusion of CPP/CDCI funds.