



ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Providence Bank

Person to be contacted regarding this report:	John A. Barker
CPP Funds Received:	\$4,000,000
CPP Funds Repaid to Date:	\$0
Date Funded (first funding):	10/2/2009
Date Repaid ¹ :	

RSSD: (For Bank Holding Companies)	
Holding Company Docket Number: (For Thrift Holding Companies)	
FDIC Certificate Number: (For Depository Institutions)	58239
City:	Rocky Mount
State:	North 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 checked="" type="checkbox"/> Increase lending or reduce lending less than otherwise would have occurred.	During the three months the Bank had the CPP funds, the bank increased loans outstanding by \$1.68 million or 1.4%.
---	---

<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.).	The increase was mainly in Home Equity Lines of Credit and Commercial Real Estate loans.
<input checked="" type="checkbox"/> Increase securities purchased (ABS, MBS, etc.).	The Bank did increase other securities by \$1.0 million or 50% of the previous balance.
<input type="checkbox"/> Make other investments	
<input checked="" type="checkbox"/> Increase reserves for non-performing assets	The did increase reserves in the ALLL by \$260,000 or an increase of 16.7%.

<input type="checkbox"/> Reduce borrowings	
<input type="checkbox"/> Increase charge-offs	
<input checked="" type="checkbox"/> Purchase another financial institution or purchase assets from another financial institution	<p>Providence Bank entered into an agreement to purchase approximately \$8.0 million in retail and commercial loans from another financial institution in the first half of 2010.</p>
<input checked="" type="checkbox"/> Held as non-leveraged increase to total capital	<p>Providence Bank increased our Tier I leverage ratio from 9.5% to 12.03% .. This increase in capital allow the Bank to continue to grow and still remain in the regulatory category of well capitalized.</p>

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

During the fourth quarter of 2010, Providence Bank recorded gross production of \$7.035 million and was able to renew \$19.033 million in previous credits. The CPP funds allowed the Bank to continue its growth path by opening a full service branch and continuing to lend funds in our market area. We have noticed in the period since August of 2009 the number of loan request from qualified borrowers have decreased.

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

We would have had to curtail our lending going forward because of the amount of capital required to support future expansion.

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.