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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT ---- OF 1934

For the quarterly period ended June 30, 2007

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
---- EXCHANGE ACT OF 1934**

For the transition period from to

COMMISSION FILE NUMBER 1-5735

PROVIDENT COMMUNITY BANCSHARES, INC.

(Exact name of registrant as specified in its Charter)

Delaware

57-1001177

(State or other Jurisdiction of
Incorporation or Organization)

(I.R.S. Employer
Identification No.)

2700 Celanese Road, Rock Hill, South Carolina 29732

(Address of Principal Executive Offices)

(803)-325-9400

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last
report)

Indicate by check mark whether the registrant (1) has filed all reports required by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.) Yes No

The Corporation had 1,796,243 shares, \$0.01 par value, of common stock issued and outstanding as of August 6, 2007.

PROVIDENT COMMUNITY BANCSHARES, INC. AND SUBSIDIARIES

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Part 1. Financial Information

PROVIDENT COMMUNITY BANCSHARES, INC. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS

June 30, 2007 and December 31, 2006

	June 30, 2007 (Unaudited)	December 31, 2006 (Audited)
(DOLLARS IN THOUSANDS)		
ASSETS		
Cash and due from banks	\$ 12,235	\$ 9,124
Investment and mortgage-backed securities		
Held to maturity	3,133	3,182
Available for sale	110,541	119,003
	-----	-----
Total investment and mortgage-backed securities	113,674	122,185
	-----	-----
Loans, net	236,697	231,886
Office properties and equipment, net	5,567	5,708
Federal Home Loan Bank Stock, at cost	3,241	3,983
Federal Reserve Stock, at cost	539	539
Accrued interest receivable	2,465	2,717
Intangible assets	3,469	3,741
Cash surrender value of life insurance	8,972	5,613
Other assets	2,814	2,134
	-----	-----
TOTAL ASSETS	\$ 389,673	\$ 387,630
=====		
LIABILITIES		
Deposits		
Interest-bearing	\$ 238,734	\$ 231,722
Noninterest-bearing	19,891	16,718
Advances from the Federal Home Loan Bank	56,500	70,000
Securities sold under agreements to repurchase	32,808	28,533
Floating rate junior subordinated deferrable interest debentures	12,372	12,372
Accrued interest payable	814	784
Other liabilities	2,614	1,534
	-----	-----
TOTAL LIABILITIES	363,733	361,663

Commitments and contingencies-Note 4		
SHAREHOLDERS' EQUITY		
Serial preferred stock, no par value, authorized - 500,000 shares, issued and outstanding - None	--	--
Common stock - \$0.01 par value, authorized - 5,000,000 shares, issued and outstanding - 1,803,462 shares at 6/30/07 and 1,830,528 at 12/31/06	20	20
Additional paid-in capital	12,585	12,506
Accumulated other comprehensive loss	(925)	(610)
Retained earnings, substantially restricted	19,751	18,912
Treasury stock, at cost	(5,491)	(4,861)
	-----	-----
TOTAL SHAREHOLDERS' EQUITY	25,940	25,967

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 389,673	\$ 387,630
=====		

See notes to consolidated financial statements.

PROVIDENT COMMUNITY BANCSHARES, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF INCOME
 Three and Six Months Ended June 30, 2007 and 2006 (unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
	(DOLLARS IN THOUSANDS EXCEPT PER SHARE)		(DOLLARS IN THOUSANDS EXCEPT PER SHARE)	
Interest Income:				
Loans	\$ 4,803	\$ 4,130	\$ 9,579	\$ 7,919
Deposits and federal funds sold	54	13	81	29
Mortgage-backed securities	306	278	596	560
Interest and dividends on investment securities	1,297	1,348	2,623	2,688
Total Interest Income	6,460	5,769	12,879	11,196
Interest Expense:				
Deposit accounts	2,397	1,905	4,786	3,610
Floating rate junior subordinated deferrable interest debentures	223	179	445	347
Advances from the FHLB and other borrowings	1,093	1,004	2,167	1,904
Total Interest Expense	3,713	3,088	7,398	5,861
Net Interest Income	2,747	2,681	5,481	5,335
Provision for loan losses	85	135	245	310
Net Interest Income After Provision for Loan Losses	2,662	2,546	5,236	5,025
Non-Interest Income:				
Fees for financial services	792	730	1,493	1,361
Other fees, net	21	23	43	65
Net loss on sale of investments	(1)	(26)	(1)	(13)
Total Non-Interest Income	812	727	1,535	1,413
Non-Interest Expense:				
Compensation and employee benefits	1,281	1,145	2,464	2,231
Occupancy and equipment	719	527	1,303	1,013
Deposit insurance premiums	7	7	15	15
Professional services	114	106	225	223
Advertising/public relations	98	60	167	97
Loan operations	28	14	68	29
Intangible amortization	112	159	271	318
Items processing	55	49	111	100
Telephone	47	51	91	90
Other	250	255	436	444
Total Non-Interest Expense	2,711	2,373	5,151	4,560
Income Before Income Taxes	763	900	1,620	1,878
Income tax expense	162	261	370	540
Net Income	\$ 601	\$ 639	\$ 1,250	\$ 1,338
Basic Net Income Per Common Share	\$ 0.33	\$ 0.34	\$ 0.69	\$ 0.71
Diluted Net Income Per Common Share	\$ 0.32	\$ 0.33	\$ 0.67	\$ 0.70
Dividend Per Common Share	\$ 0.115	\$ 0.11	\$ 0.215	\$ 0.21
Weighted Average Number of Common Shares Outstanding				

Basic	1,819,761	1,887,582	1,823,546	1,891,873
Diluted	1,857,730	1,911,663	1,859,950	1,914,748

See notes to consolidated financial statements.

PROVIDENT COMMUNITY BANCSHARES, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS

Six Months Ended June 30, 2007 and 2006 (unaudited)

	Six Months Ended	
	June 30, 2007	June 30, 2006
	----- (IN THOUSANDS) -----	
OPERATING ACTIVITIES:		
Net income	\$ 1,250	\$ 1,338
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Provision for loan losses	245	310
Amortization of intangibles	271	318
Depreciation expense	321	306
Recognition of deferred income, net of costs	(258)	(281)
Stock compensatio expense	22	24
Deferral of fee income, net of costs	311	295
Loss on investment transactions	1	13
Loss on writedown of fixed asset	135	--
Changes in operating assets and liabilities:		
Decrease in accrued interest receivable	252	14
Increase in cash surrender value of life insurance	(3,359)	--
Increase in other assets	(680)	(988)
Increase in other liabilities	1,080	664
Increase in accrued interest payable	30	29
	-----	-----
Net cash (used) provided by operating activities	(379)	2,042
	-----	-----
INVESTING ACTIVITIES:		
Purchase of investment and mortgage-backed securities:		
Available for sale	(25,298)	(9,218)
Proceeds from sale of investment and mortgage-backed securities	4,965	15,952
Proceeds from maturity of investment and mortgage-backed securities:		
Available for sale	25,995	2,035
Principal repayments on mortgage-backed securities:		
Available for sale	2,533	3,921
Net increase in loans	(5,108)	(22,051)
Redemption of FHLB stock	742	560
Purchase of office properties and equipment	(315)	(753)
	-----	-----
Net cash (used) provided by investing activities	3,514	(9,554)
	-----	-----
FINANCING ACTIVITIES:		
Proceeds from the dividend reinvestment plan	57	55
Dividends paid in cash	(411)	(399)
Proceeds from the exercise of stock options	--	4
Share repurchase program	(630)	(792)
Decrease in term borrowings	(13,500)	(16,315)
Increase in other borrowings	4,275	10,000
Increase in deposit accounts	10,185	15,240
	-----	-----
Net cash (used) provided by financing activities	(24)	7,793
	-----	-----
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,111	281
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	9,124	8,380
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 12,235	\$ 8,661
	=====	=====

SUPPLEMENTAL DISCLOSURES:

Cash paid for:

Income taxes	\$	717	\$	495
Interest		7,368		5,832

Non-cash transactions:

Loans foreclosed		--	\$	261
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See notes to consolidated financial statements.

PROVIDENT COMMUNITY BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME (LOSS)
Six Months Ended June 30, 2007 and 2006 (unaudited)

	Common Shares	Stock Amount	Additional Paid-in Capital	Retained Earnings, Substantially Restricted	Accumulated Other Comprehensive Income (loss)	Treasury Stock At Cost	Total Shareholders' Equity
	-----	-----	-----	-----	-----	-----	-----
	(Dollars in Thousands, Except Share Data)						
BALANCE AT DECEMBER 31, 2005	1,905,897	\$ 20	\$ 12,346	\$ 16,916	(\$612)	(\$3,337)	\$ 25,333
Net income				1,338			1,338
Other comprehensive income, net of tax on unrealized holding losses on securities available for sale arising during period					(1,377)		(1,377)
Less reclassification adjustment for losses included in net income					(9)		(9)
Comprehensive loss					-----		-----
							(48)
Stock option activity, net	2,203		28				28
Dividend reinvestment plan contributions	3,204		55				55
Share repurchase program	-44,573					(792)	(792)
Cash dividend (\$.21 per share)				(399)			(399)
	-----		-----	-----	-----	-----	-----
BALANCE AT JUNE 30, 2006	1,866,731	\$ 20	\$ 12,429	\$ 17,855	(\$1,998)	(\$4,129)	\$ 24,177
	=====		=====	=====	=====	=====	=====
BALANCE AT DECEMBER 31, 2006	1,830,528	\$ 20	\$ 12,506	\$ 18,912	(\$610)	(\$4,861)	\$ 25,967
Net income				1,250			1,250
Other comprehensive income, net of tax on unrealized holding losses on securities available for sale arising during period					(315)		(315)
Less reclassification adjustment for gains included in net income					--		--
Comprehensive income					-----		-----
							935
Stock option activity, net	396		22				22
Dividend reinvestment plan contributions	2,823		57				57
Share repurchase program	(30,285)					(630)	(630)
Cash dividend (\$.215 per share)				(411)			(411)
	-----		-----	-----	-----	-----	-----
BALANCE AT JUNE 30, 2007	1,803,462	\$ 20	\$ 12,585	\$ 19,751	(\$925)	(\$5,491)	\$ 25,940
	=====		=====	=====	=====	=====	=====

PROVIDENT COMMUNITY BANCSHARES, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)****1. Presentation of Consolidated Financial Statements**

The accompanying unaudited consolidated financial statements of Provident Community Bancshares, Inc. (the "Corporation") were prepared in accordance with instructions for Form 10-Q and, therefore, do not include all disclosures necessary for a complete presentation of consolidated financial condition, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America. However, all adjustments which are, in the opinion of management, necessary for the fair presentation of the interim consolidated financial statements have been included. All such adjustments are of a normal and recurring nature. The results of operations for the six months ended June 30, 2007 are not necessarily indicative of the results which may be expected for the entire calendar year. Certain amounts in the prior year's financial statements have been reclassified to conform to current year classifications.

Recently Issued Accounting Standards

The following is a summary of recent authoritative pronouncements that affect accounting, reporting, and disclosure of financial information by the Corporation:

In February 2006, FASB issued SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments--an amendment of FASB Statements No. 133 and 140." This Statement amends SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," and SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." This Statement resolves issues addressed in SFAS No. 133 Implementation Issue No. D1, "Application of Statement 133 to Beneficial Interests in Securitized Financial Assets." FAS 155 permits fair value re-measurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation, clarifies which interest only-strips and principal-only strips are not subject to the requirements of Statement 133, establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation, clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives, and amends Statement 140 to eliminate the prohibition on a qualifying special purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. SFAS No. 155 is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006. The Company does not believe that the adoption of SFAS No. 155 will have a material impact on its financial position, results of operations and cash flows.

In March 2006, the FASB issued SFAS No. 156, "Accounting for Servicing of Financial Assets--an amendment of FASB Statement No. 140." This Statement amends FASB No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," with respect to the accounting for separately recognized servicing assets and servicing liabilities. SFAS No. 156 requires an entity to recognize a servicing asset or servicing liability each time it undertakes an obligation to service a financial asset by entering into a servicing contract; requires all separately recognized servicing assets and servicing liabilities to be initially measured at fair value, if practicable; permits an entity to choose its subsequent measurement methods for each class of separately recognized servicing assets and servicing liabilities; at its initial adoption, permits a one-time reclassification of available-for-sale securities to trading securities by entities with recognized servicing rights, without calling into question the treatment of other available-for-sale securities under Statement 115, provided that the available-for-sale securities are identified in some manner as offsetting the entity's exposure to changes in fair value of servicing assets or servicing liabilities that a service elects to subsequently measure at fair value; and requires separate presentation of servicing assets and servicing liabilities subsequently measured at fair value in the statement of financial position and additional disclosures for all separately recognized servicing assets and servicing liabilities. An entity should adopt SFAS No. 156 as of the beginning of its first fiscal year that begins after September 15, 2006. The Company does not believe the adoption of SFAS No. 156 will have a material impact on its financial position, results of operations and cash flows.

In July 2006, the FASB issued FASB Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes." FIN 48 clarifies the accounting for uncertainty in income taxes recognized in enterprises' financial statements in accordance with FASB Statement No. 109, "Accounting for Income Taxes". FIN 48 prescribes a recognition threshold and measurement attributable for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognizing, classification, interest and penalties, accounting in interim periods, disclosures and transitions. FIN 48 is effective for fiscal years beginning after December 15, 2006. The adoption did not have a material impact on the reported results of operations or financial conditions of the Company.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. This standard does not require any new fair value measurements, but rather eliminates inconsistencies found in various prior pronouncements. SFAS 157 is effective for the Company on January 1, 2008 and is not expected to have a significant impact on the Company's financial statements.

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" ("SFAS 158"), which amends SFAS 87 and SFAS 106 to require recognition of the over funded or under funded status of pension and other postretirement benefit plans on the balance sheet. Under SFAS 158, gains and losses, prior service costs and credits, and any remaining transition amounts under SFAS 87 and SFAS 106 that have not yet been recognized through net periodic benefit cost will be recognized in accumulated other comprehensive income, net of tax effects, until they are amortized as a component of net periodic cost. The measurement date--the date at which the benefit obligation and plan assets are measured--is required to be the company's fiscal year end. SFAS 158 is effective for publicly held companies for fiscal years ending after December 15, 2006, except for the measurement date provisions, which are effective for fiscal years ending after December 15, 2008. The Company does not have a defined benefit pension plan. Therefore, SFAS 158 will not impact the Company's financial conditions or results of operations.

In September, 2006, The FASB ratified the consensus reached by the FASB's Emerging Issues Task Force ("EITF") relating to EITF 06-4 "Accounting for the Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements". EITF 06-4 addresses employer accounting for endorsement split-dollar life insurance arrangements that provide a benefit to an employee that extends to postretirement periods should recognize a liability for future benefits in accordance with SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions", or Accounting Principles Board ("APB") Opinion No. 12, "Omnibus Opinion--1967". EITF 06-4 is effective for fiscal years beginning after December 15, 2006. Entities should recognize the effects of applying this Issue through either (a) a change in accounting principle through a cumulative-effect adjustment to retained earnings or to other components of equity or net assets in the statement of financial position as of the beginning of the year of adoption or (b) a change in accounting principle through retrospective application to all prior periods. The Company does not believe the adoption of EITF 06-4 will have a material impact on its financial position, results of operations and cash flows.

In September 2006, the FASB ratified the consensus reached related to EITF 06-5, "Accounting for Purchases of Life Insurance-- Determining the Amount That Could Be Realized in Accordance with FASB Technical Bulletin No. 85-4, Accounting for Purchases of Life Insurance." EITF 06-5 states that a policyholder should consider any additional amounts included in the contractual terms of the insurance policy other than the cash surrender value in determining the amount that could be realized under the insurance contract. EITF 06-5 also states that a policyholder should determine the amount that could be realized under the life insurance contract assuming the surrender of an individual-life by individual-life policy (or certificate by certificate in a group policy). EITF 06-5 is effective for fiscal years beginning after December 15, 2006. The Company does not believe the adoption of EITF 06-5 will have a material impact on its financial position, results of operations and cash flows.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment of FASB Statement No. 115." This statement permits, but does not require, entities to measure many financial instruments at fair value. The objective is to provide entities with an opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. Entities electing this option will apply it when the entity first recognizes an eligible instrument and will report unrealized gains and losses on such instruments in current earnings. This statement 1) applies to all entities, 2) specifies certain election dates, 3) can be applied on an instrument-by-instrument basis with some exceptions, 4) is irrevocable and 5) applies only to entire instruments. One exception is demand deposit liabilities which are explicitly excluded as qualifying for fair value. With respect to SFAS 115, available-for-sale and held-to-maturity securities at the effective date are eligible for the fair value option at that date. If the fair value option is elected for those securities at the effective date, cumulative unrealized gains and losses at that date shall be included in the cumulative-effect adjustment and thereafter, such securities will be accounted for as trading securities. SFAS 159 is effective for the Corporation on January 1, 2008. Earlier adoption is permitted in 2007 if the Corporation also elects to apply the provisions of SFAS 157, "Fair Value Measurement." The Corporation is currently analyzing the fair value option provided under SFAS 159.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies that do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption.

2. Income Per Share

Basic income per share amounts for the three and six months ended June 30, 2007 and 2006 were computed based on the weighted average number of common shares outstanding during the period. Diluted income per share adjusts for the dilutive effect of outstanding common stock options during the periods utilizing the treasury stock method. Common stock equivalents included in the diluted earnings per share calculation for the six months ended June 30, 2007 and 2006 were 36,404 and 22,875, respectively.

3. Assets Pledged

Approximately \$64,422,000 and \$74,387,000 of debt securities at June 30, 2007 and December 31, 2006, respectively, were pledged by Provident Community Bank, N.A. (the "Bank") as collateral to secure deposits of the State of South Carolina, and Union, Laurens and York counties along with additional borrowings and repurchase agreements. The Bank pledges as collateral for Federal Home Loan Bank advances commercial and residential real estate mortgage loans under a collateral agreement with the Federal Home Loan Bank whereby the Bank maintains, free of other encumbrances, qualifying mortgages (as defined) with unpaid principal balances equal to, when discounted at 75% of the unpaid principal balances, 100% of total advances. As part of the total assets pledged, the Bank will also pledge securities to cover additional advances from the Federal Home Loan Bank that exceed the qualifying mortgages balance along with security repurchase lines with various brokerage houses.

4. Contingencies and Loan Commitments

In the ordinary course of business, the Bank enters into financial instruments with off-balance-sheet risk to meet the financing needs of its customers. These instruments expose the Bank to credit risk in excess of the amount recognized on the balance sheet.

The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments. Total credit exposure at June 30, 2007 related to these items is summarized below:

Loan Commitments:	Contract Amount
-----	-----
Approved loan commitments	\$ 2,773,000
Unadvanced portions of loans and credit lines	50,332,000

Total loan commitments	\$ 53,105,000
	=====

Loan commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Loan commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained upon extension of credit is based on management's credit evaluation of the counter party. Collateral held is primarily residential and commercial property. Commitments outstanding at June 30, 2007 consisted of fixed and adjustable rate loans at rates ranging from 6.5% to 8.5%. Commitments to originate loans generally expire within 30 to 60 days.

Commitments to fund loans, including credit lines (principally variable rate, consumer lines secured by real estate and overdraft protection) totaled approximately \$131,131,000 at June 30, 2007. Of these lines, the outstanding loan balances totaled approximately \$80,799,000.

5. Fixed/Floating Rate Junior Subordinated Deferrable Interest Debentures

On July 18, 2006, the Corporation sponsored the creation of Provident Community Bancshares Capital Trust I ("Capital Trust I"). The Corporation is the owner of all of the common securities of Capital Trust I. On July 21, 2006, Capital Trust I issued \$4,000,000 in the form of floating/fixed rate capital securities through a pooled trust preferred securities offering. The proceeds from this issuance, along with the Corporation's \$124,000 capital contribution for Capital Trust I's common securities, were used to acquire \$4,124,000 aggregate principal amount of the Corporation's floating rate junior subordinated deferrable interest debentures due October 1, 2036, which constitute the sole asset of Capital Trust I. The interest rate on the debentures and the capital securities will be equal to 7.393% for the first five years. Thereafter, the interest rate is variable and adjustable quarterly at 1.74% over the three-month LIBOR. The debentures are subject to redemption at par at the option of the Corporation, subject to prior regulatory approval, in whole or in part on any interest payment date after October 1, 2011. The debentures are also subject to redemption prior to October 1, 2011 at up to 103.7% of par after the occurrence of certain events.

On November 28, 2006, the Corporation sponsored the creation of Provident Community Bancshares Capital Trust ("Capital Trust II"). The Corporation is the owner of all of the common securities of the Trust. On December 15, 2006, the Trust issued \$8,000,000 in the form of floating rate capital securities through a pooled trust preferred securities offering. The proceeds of Capital Trust II were utilized for the redemption of Union Financial Bancshares Statutory Trust (the "Trust") issued on December 18, 2001. The proceeds from this issuance, along with the Corporation's \$247,000 capital contribution for the Trust's common securities, were used to acquire \$8,247,000 aggregate principal amount of the Corporation's floating rate junior subordinated deferrable interest debentures due March 1, 2037, which constitute the sole asset of the Trust. The interest rate on the debentures and the capital securities is variable and adjustable quarterly at 1.74% over the three-month LIBOR. The debentures are subject to redemption at par at the option of the Corporation, subject to prior regulatory approval, in whole or in part on any interest payment date after March 1, 2012. The debentures are also subject to redemption prior to March 1, 2012 at 103.5% of par after the occurrence of certain events.

On November 14, 2001, the Corporation sponsored the creation of a Trust, which on December 18, 2001, issued \$8,000,000 in the form of floating rate capital securities through a pooled trust preferred securities offering. The proceeds from this issuance, along with the Corporation's \$248,000 capital contribution for the trust's common securities, were used to acquire \$8,247,000 aggregate principal amount of the Corporation's floating rate junior subordinated deferrable interest debentures due December 18, 2031, which constitute the sole asset of the trust. The interest rate on the Debentures and the capital securities was variable and adjustable quarterly at 3.60% over the three-month LIBOR. On December 18, 2006, the trust was redeemed with the proceeds from Capital Trust II.

A summary of the Subordinated Deferrable Interest Debentures issued and outstanding follows:

Name	Amount Outstanding at June 30,		Rate	Prepayment Option Date	Maturity	Distribution Payment Frequency
	2007	2006				
Union Financial Statutory Trust I	\$ --	\$ 8,000,000	8.99%	December 18, 2006	December 18, 2031	Quarterly
Provident Community Bancshares Capital Trust I	4,000,000	-	7.39%	October 1, 2011	October 1, 2036	Quarterly
Provident Community Bancshares Capital Trust II	8,000,000	-	7.10%	March 1, 2012	March 1, 2037	Quarterly
Total	\$ 12,000,000					

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Critical Accounting Policies

The Corporation has adopted various accounting policies which govern the application of accounting principles generally accepted in the United States of America in the preparation of financial statements.

Certain accounting policies involve significant judgments and assumptions by management which, if incorrect, could have a material impact on the carrying value of certain assets and liabilities. Management considers such accounting policies to be critical accounting policies. The judgments and assumptions used by management are based on historical experience and other factors, which are believed to be reasonable under the circumstances. Because of the nature of the judgments and assumptions made by management, actual results could differ from these judgments and estimates which could have a material impact on the carrying values of assets and liabilities and the results of operations of the Corporation.

The Corporation believes the allowance for loan losses is a critical accounting policy that requires significant judgments and estimates used in the preparation of consolidated financial statements. Management reviews the level of the allowance on a monthly basis and establishes the provision for loan losses based on the composition and volume of the loan portfolio, overall portfolio quality, delinquency levels, a review of specific problem loans, loss experience, economic conditions, and other factors related to the collectibility of the loan portfolio. A portion of the allowance is established by segregating the loans by residential mortgage, commercial and consumer and assigning allocation percentages based on historical loss experience and delinquency trends. The applied allocation percentages are reevaluated at least annually to ensure their relevance in the current economic environment. Accordingly, increases in the size of the loan portfolio and the increased emphasis on commercial real estate and commercial business loans, which carry a higher degree of risk of default and, thus, a higher allocation percentage, increases the allowance. Additionally, a portion of the allowance is established based on the level of classified assets.

Although the Corporation believes that it uses the best information available to establish the allowance for loan losses, future additions to the allowance may be necessary based on estimates that are susceptible to change as a result of changes in economic conditions and other factors. In addition, the Office of the Comptroller of the Currency, as an integral part of its examination process, will periodically review the Corporation's allowance for loan losses. Such agency may require the Corporation to recognize adjustments to the allowance based on its judgments about information available to it at the time of its examination.

Forward Looking Statements

Management's discussion and analysis of financial condition and results of operations and other portions of this Form 10-Q may contain certain "forward-looking statements" concerning the future operations of the Corporation and the Bank. These forward-looking statements are generally identified by the use of the words "believe," "expect," "intend," "anticipate," "estimate," "project," or similar expressions. Management intends to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and is including this statement for the express purpose of availing the Corporation of the protections of such safe harbor with respect to all forward-looking statements contained in this report to describe future plans and strategies. Management's ability to predict results or the effect of future plans or strategies is inherently uncertain. Factors which could effect actual results include interest rate trends, the general economic climate in the Corporation's and the Bank's market area and the country as a whole, the ability of the Corporation and the Bank to control costs and expenses, competitive products and pricing, loan delinquency rates, the quality and composition of the loan and investment portfolios, changes in accounting principles and guidelines and changes in federal and state regulation. The Corporation provides greater detail regarding some of these factors in its form 10-K for the year ended December 31, 2006, including in the Risk Factors section of that report, and in its other SEC reports. These factors should be considered in evaluating the forward-looking statements, and undue reliance should not be placed on such statements.

Except as required by applicable law or regulation, the Corporation does not undertake, and specifically disclaims any obligation, to release publicly the result of any revisions that may be made to any forward looking statements to reflect events or circumstances after the date of these statements or to reflect the occurrence of anticipated or unanticipated events.

Financial Condition

Assets

Total assets of the Corporation increased \$2,043,000, or 0.53%, to \$389,673,000 at June 30, 2007 from \$387,630,000 at December 31, 2006. Investments and mortgage-backed securities decreased approximately \$8,511,000, or 6.97%, from December 31, 2006 to June 30, 2007, due primarily to the maturity of government sponsored enterprise securities, partially offset by the purchase of Freddie Mac securities. Proceeds from the maturity of investment securities were utilized to fund growth in higher-yielding loans. Cash and due from banks increased \$3,111,000, or 34.1%, to \$12,235,000 at June 30, 2007 from \$9,124,000 at December 31, 2006 due to an increase in federal funds sold as a result of deposit growth.

Investment and Mortgage-backed Securities

Held to Maturity-Securities classified as held to maturity consisted of the following (in thousands):

	June 30, 2007		December 31, 2006	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	-----	-----	-----	-----
Municipal Securities	\$3,133	\$3,115	\$3,182	\$3,239
	=====	=====	=====	=====

Available for Sale-Securities classified as available for sale consisted of the following (in thousands):

	June 30, 2007		December 31, 2006	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Investment Securities:				
U.S. Agency Obligations	\$ 511	\$ 475	\$ 515	500
Government Sponsored Enterprises	62,951	61,894	73,511	72,638
Municipal Securities	10,160	10,439	10,594	10,970
Other	12,928	12,968	14,533	14,644
Total Investment Securities	86,550	85,776	99,153	98,752
Mortgage-backed Securities:				
Fannie Mae	12,260	11,773	13,243	12,813
Ginnie Mae	1,200	1,200	55	57
Freddie Mac	8,042	7,980	3,111	3,109
Collateralized Mortgage Obligations	3,913	3,812	4,380	4,272
Total Mortgage-backed Securities	25,415	24,765	20,789	20,251
Total Available for Sale	\$ 111,965	\$ 110,541	\$ 119,942	119,003

Loans

Loans increased \$4,811,000, or 2.07%, to \$236,697,000 at June 30, 2007. The Corporation continues to focus on consumer and commercial lending with specialized loan officers and products.

Loans receivable consisted of the following (in thousands):

	June 30, ----- 2007 -----	December 31, ----- 2006 -----
Mortgage loans:		
Fixed rate residential	\$ 16,935	\$ 19,187
Adjustable-rate residential	9,527	10,295
Commercial real estate	61,909	62,450
Construction	5,267	5,787
	-----	-----
Total mortgage loans	93,638	97,719
	-----	-----
Commercial loans:		
Commercial non-real estate	34,510	42,093
Commercial lines of credit	64,579	51,469
	-----	-----
Total commercial loans	99,089	93,562
	-----	-----
Consumer loans:		
Home equity	15,878	15,936
Consumer and installment	33,961	29,827
Consumer lines of credit	341	373
	-----	-----
Total consumer loans	50,180	46,136
Total loans	242,907	237,417
Less:		
Undisbursed portion of interim construction loans	(2,775)	(2,238)
Unamortized loan discount	(514)	(607)
Allowance for loan losses	(2,941)	(2,754)
Net deferred loan origination costs	20	68
	-----	-----
Total, net	\$ 236,697	\$ 231,886
	=====	=====
Weighted-average interest rate of loans	8.28%	8.14%

Cash surrender value of life insurance increased \$3,359,000, or 59.84%, to \$8,972,000 at June 30, 2007 from \$5,613,000 at December 31, 2006 due to the purchase of additional bank-owned life insurance that will be utilized to offset the rapidly rising costs of providing employee benefits. Other assets increased \$680,000, or 31.87%, to \$2,814,000 at June 30, 2007 from \$2,134,000 at December 31, 2006, due primarily to an increase in a net deferred tax receivable that was related to the mark to market adjustment for investments available for sale.

Liabilities

Total liabilities increased \$2,070,000, or 0.57%, to \$363,733,000 at June 30, 2007 from \$361,663,000 at December 31, 2006. Deposits increased \$10,185,000, or 4.1%, to \$258,625,000 at June 30, 2007 from \$248,440,000 at December 31, 2006. The overall growth includes a 19% increase in non-interest bearing accounts while interest bearing accounts increased 3%. The increase was due primarily to growth in accounts generated from the new banking center openings. The Corporation continues to target lower cost demand deposit accounts through media advertising.

Deposit accounts were as follows (in thousands):

Account Type	June 30, 2007			December 31, 2006		
	Rate	Balance	%	Rate	Balance	%
NOW accounts:						
Commercial non-interest-bearing	--	\$ 19,891	7.69%	--	\$ 16,718	6.73%
Non-commercial	2.72%	55,321	21.39%	2.82%	52,512	21.14%
Money market checking accounts						
	4.64%	13,001	5.03%	4.22%	14,178	5.71%
Regular savings	0.75%	14,598	5.64%	0.76%	14,930	6.00%
Total demand and savings deposits	2.15%	102,811	39.75%	2.20%	98,338	39.58%
Savings certificates:						
Up to 3.00%		7,472	2.89%		15,557	6.26%
3.01%- 4.00%		29,081	11.25%		23,491	9.46%
4.01%- 5.00%		16,976	6.56%		31,086	12.51%
5.01%- 6.00%		102,260	39.54%		79,943	32.18%
6.01%- 7.00%		25	0.01%		25	0.01%
Total savings certificates	4.49%	155,814	60.25%	4.47%	150,102	60.42%
Total deposit accounts	3.65%	\$ 258,625	100.00%	3.56%	\$ 248,440	100.00%

At June 30, 2007 and December 31, 2006, the Bank had \$56,500,000 and \$70,000,000, respectively, of advances outstanding from the FHLB. The maturity of the advances from the FHLB is as follows (in thousands):

	June 30, 2007		June 30, 2006	
	Wtd Avg Rate		Wtd Avg Rate	
Contractual Maturity:				
Within one year - fixed rate	\$ 3,000	3.35%	\$ 21,500	5.18%
Within one year - adjustable rate	10,000	5.33%	15,000	5.36%
After one but within three years - fixed rate	5,000	4.93%	-	-%
After one but within three years - adjustable rate	7,500	5.30%	12,500	5.33%
After three but within five years - adjustable rate	5,000	4.92%	-	-%
Greater than five years - adjustable rate	26,000	4.16%	21,000	4.33%
Total advances	\$ 56,500	4.61%	\$ 70,000	5.00%

The Bank pledges as collateral for the advances its investment securities and has entered into a blanket collateral agreement with the FHLB whereby the Bank maintains, free of other encumbrances, qualifying loans (as defined) with unpaid principal balances equal to, when discounted at 50% to 75% of the unpaid principal balances, 100% of total advances. Borrowings from the Federal Home Loan Bank (the "FHLB") decreased \$13,500,000, or 19.29%, to \$56,500,000 at June 30, 2007 from \$70,000,000 at December 31, 2006 primarily due to deposit growth. Securities sold under agreement to repurchase increased \$4,275,000 to \$32,808,000 at June 30, 2007 from \$28,533,000 at December 31, 2006. The increase in securities sold under agreement to repurchase was due to an increase in customer deposit sweep accounts increasing from \$8,133,000 at December 31, 2006 to \$12,808,000 at June 30, 2007.

Shareholders' Equity

Shareholders' equity decreased \$27,000, or 0.10%, to \$25,940,000 at June 30, 2007 from \$25,967,000 at December 31, 2006 due primarily to the repurchase of 30,285 shares at a cost of \$630,000, dividend payments of \$0.215 per share at a cost of \$411,000 and a \$315,000 increase in unrealized losses on securities available for sale, offset by net income of \$1,250,000.

Liquidity

Liquidity is the ability to meet demand for loan disbursements, deposit withdrawals, repayment of debt, payment of interest on deposits and other operating expenses. The primary sources of liquidity are deposits, loan repayments, borrowings, maturity and sale of securities and interest payments.

While maturities and scheduled amortization of loans and securities are predictable sources of funds, deposit outflows and mortgage prepayments are greatly influenced by general interest rates, economic conditions and competition. The primary investing activities of the Corporation are the origination of commercial and consumer loans, and the purchase of investment and mortgage-backed securities. These activities are funded primarily by principal and interest payments on loans and investment securities, deposit growth, securities sold under agreements to repurchase and the utilization of FHLB advances.

At June 30, 2007, the Corporation's investment in marketable securities totaled \$113,674,000, nearly all of which is available for sale. Approximately \$64,422,000 and \$74,387,000 of debt securities at June 30, 2007 and December 31, 2006, respectively, were pledged by the Bank as collateral to secure deposits of the State of South Carolina, and Union, Laurens and York counties along with additional borrowings and repurchase agreements.

Outstanding loan commitments (including commitments to fund credit lines) totaled \$131,131,000 at June 30, 2007. Management of the Corporation anticipates that it will have sufficient funds available to meet its current loan commitments.

The Corporation closely monitors its liquidity position on a daily basis. Certificates of deposit, which are scheduled to mature in one year or less from June 30, 2007, totaled \$114,303,000. The Corporation relies primarily on competitive rates, customer service, and long-standing relationships with customers to retain deposits. From time to time, the Corporation will also offer special products to its customers to increase retention and to attract new deposits. Based upon the Corporation's experience with deposit retention and current retention strategies, management believes that, although it is not possible to predict future terms and conditions upon renewal, a significant portion of such deposits will remain with the Corporation. If the Corporation requires funds beyond its ability to generate them internally, additional sources of funds are available through FHLB advances, securities sold under agreements to repurchase and lines of credit. At June 30, 2007, the Corporation had outstanding \$56,500,000 of FHLB borrowings and \$32,808,000 of securities sold under agreements to repurchase. At June 30, 2007, the Corporation had unused short-term lines of credit to purchase federal funds from unrelated banks totaling \$20,000,000 and the ability to borrow an additional \$24,000,000 from the FHLB and secured borrowing lines. Lines of credit are available on a one-to-ten day basis for general purposes of the Corporation. All of the lenders have reserved the right to withdraw these lines at their option.

Capital Management

The Bank and the Corporation are subject to various regulatory capital requirements administered by banking regulators. Failure to meet minimum capital requirements can initiate certain mandatory - and possibly additional discretionary - actions by regulators that, if undertaken, could have a direct material effect on the Corporation's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weights and other factors.

Quantitative measures established by regulations to ensure capital adequacy require the Bank and the Corporation to maintain minimum amounts and ratios of total and Tier 1 capital to risk-weighted assets, and of Tier 1 capital to average assets (as defined in the regulations). Management believes, as of June 30, 2007, that the Bank and the Corporation meet the capital adequacy requirements to which they are subject.

As of June 30, 2007, the Bank was "well capitalized" under the regulatory framework for prompt corrective action based on its capital ratio calculations. In order to be "well capitalized", the Bank must maintain minimum total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios as set forth in the following table.

Under present regulations of the Office of the Comptroller of the Currency, the Bank must have core capital (leverage requirement) equal to 4.0% of assets, of which 1.5% must be tangible capital, excluding intangible assets. The Bank must also maintain risk-based regulatory capital as a percent of risk weighted assets at least equal to 8.0%. In measuring compliance with capital standards, certain adjustments must be made to capital and total assets.

The following tables present the total risk-based, Tier 1 risk-based and Tier 1 leverage requirements for the Corporation and the Bank (dollars in thousands).

	June 30, 2007					
	Actual		Regulatory Minimum		"Well Capitalized"	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	\$	%	\$	%	\$	%
Leverage ratio						
Corporation	32,516	8.33%	15,621	4.00%	n/a	n/a
Bank	35,173	9.01%	15,622	4.00%	19,527	5.00%
Tier 1 capital ratio						
Corporation	32,516	11.75%	11,065	4.00%	n/a	n/a
Bank	35,173	12.73%	11,050	4.00%	16,575	6.00%
Total risk-based capital ratio						
Corporation	38,336	13.86%	22,131	8.00%	n/a	n/a
Bank	38,114	13.80%	22,101	8.00%	27,626	10.00%

During fiscal 2003, the Corporation implemented a share repurchase program under which the Board of Directors of the Corporation authorized the repurchase of up to 5% of the outstanding shares or 98,000 shares. The program was expanded by an additional 5%, or 98,000 shares, in fiscal 2004, by an additional 5%, or 95,000 shares in fiscal 2005 and by an additional 5%, or 92,000 shares in fiscal 2006. The shares are to be repurchased either through open market purchases or privately negotiated transactions, depending on market conditions and other factors. Repurchased shares will be held in treasury and will be available for the Corporation's benefit plans. During the six months ended June 30, 2007, the Corporation repurchased 30,285 shares. As of June 30, 2007, the Corporation had repurchased a total of 306,426 shares under these authorizations and had 76,574 shares available for repurchase under these authorizations.

Off-Balance Sheet Risk

In the normal course of operations, the Corporation engages in a variety of financial transactions that, in accordance with generally accepted accounting principles, are not recorded in its financial statements. These transactions involve, to varying degrees, elements of credit, interest rate and liquidity risk. Such transactions are used primarily to manage customer's requests for funding and take the form of legally binding agreements to lend money to customers at predetermined interest rates for a specified period of time. Outstanding loan commitments (including commitments to fund credit lines) totaled \$131,131,000 at June 30, 2007. Each customer's credit worthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Corporation upon extension of credit, is based on the credit evaluation of the borrower. Collateral varies but may include accounts receivable, inventory, property, plant and equipment, commercial and residential real estate. The credit risk on these commitments is managed by subjecting each customer to normal underwriting and risk management processes.

For the period ended June 30, 2007, the Corporation did not engage in any off-balance sheet transactions reasonably likely to have a material effect on its financial condition, results of operation and cash flows.

Results of operations for the three months ended June 30, 2007 and 2006

General

Net income decreased \$38,000, or 5.95%, to \$601,000 for the three months ended June 30, 2007 as compared to \$639,000 for the same period in 2006 as increases in net interest income and non-interest income along with a reduction in the provision for loan losses were more than offset by an increase in non-interest expense. The increase in non-interest expense from the prior year quarter reflects the additional expenses associated with opening three banking centers in the previous twelve months. During the quarter, the Company announced the closing of one banking center located in Winnsboro, South Carolina. The deposits and operations contained in the banking center to be closed will be moved into a larger Winnsboro, South Carolina location in order to improve the efficiencies for Fairfield county. The Company recorded a \$135,000 write-down on the building value of the closed location. The closing will be completed during the third quarter of 2007.

Average Yields and Rates

(dollars in thousands)

	Three Months Ended June 30,					
	2007			2006		
	Average Balance	Interest	Average Yield/Cost	Average Balance	Interest	Average Yield/Cost
Interest-earning assets:						
Loans (1)	\$ 237,514	\$ 4,803	8.09%	\$ 206,065	\$ 4,130	8.02%
Mortgage-backed securities	26,102	306	4.69%	26,581	278	4.18%
Investment securities	91,077	1,234	5.42%	112,705	1,348	4.78%
Other interest-earning assets	8,294	117	5.62%	1,137	13	4.57%
Total interest-earning assets	362,987	6,460	7.12%	346,488	5,769	6.66%
Non-interest-earning assets	31,698			25,685		
Total assets	\$ 394,685			\$ 372,173		
Interest-bearing liabilities:						
Deposits	259,778	2,397	3.69%	251,760	1,905	3.03%
Floating rate junior subordinated deferrable interest debentures	12,372	223	7.20%	8,247	179	8.68%
FHLB advances and other borrowings	92,846	1,093	4.71%	84,500	1,004	4.75%
Total interest-bearing liabilities	364,996	3,713	4.07%	344,507	3,088	3.59%
Non-interest-bearing liabilities	2,780			2,455		
Total liabilities	367,776			346,962		
Shareholders' equity	26,909			25,211		
Total liabilities and shareholders' equity	\$ 394,685			\$ 372,173		
Net interest income/spread		\$ 2,747	3.05%		\$ 2,681	3.07%
Net yield on earning assets			3.03%			3.10%

(1) Average balances of loans include non-accrual loans.

Interest Income

Interest income increased \$691,000, or 11.98%, to \$6,460,000 for the three months ended June 30, 2007 as compared to the same period in 2006. Interest income on loans increased by 16.30%, or \$673,000, to \$4,803,000 for the three months ended June 30, 2007 from \$4,130,000 for the three months ended June 30, 2006, due primarily to a higher average balance of loans and, to a lesser extent, higher average rates due to increasing market interest rates along with our increased emphasis on commercial and consumer loan originations. Interest on deposits and federal funds sold, combined with interest and dividends on investment and mortgage-backed securities increased \$18,000 for the three months ended June 30, 2007 to \$1,657,000 from \$1,639,000 during the same period in 2006 due to higher yields from higher market interest rates offset by lower average balances.

Interest Expense

Interest expense increased \$625,000, or 20.24%, to \$3,713,000 for the three months ended June 30, 2007 as compared to the three months ended June 30, 2006. Interest expense on deposit accounts increased \$492,000, or 25.83%, to \$2,397,000 for the three months ended June 30, 2007 from \$1,905,000 during the same period in 2006 due to higher average balances and cost of deposits as a result of higher market rates. The Corporation continues to target lower cost demand deposit accounts versus traditional higher cost certificates of deposits in order to reduce overall funding costs. Interest expense on borrowings increased \$89,000, or 8.86%, for the three months ended June 30, 2007 as compared to the same period in the previous year due to higher average balances. Interest expense on floating rate junior subordinated deferrable interest debentures increased \$44,000, or 24.58%, to \$223,000 for the three months ended June 30, 2007 from \$179,000 during the same period in 2006 due to higher average balances, offset by lower rates due to the repayment of older trust preferred with the proceeds of newer trust preferred with lower rates. In addition, on July 21, 2006, the Corporation completed a private placement of \$4 million in trust preferred securities thereby increasing outstanding balances to \$12 million at June 30, 2007 compared to \$8 million at June 30, 2006.

Provision for Loan Losses

During the three months ended June 30, 2007, the provision for loan losses was \$85,000 as compared to \$135,000 for the same period in the previous year due to a decrease in classified loans and loans charged-off that was partially offset by loan growth. The provision also reflects the Corporation's continued movement from longer-term, fixed-rate residential mortgage loans to shorter-term, floating-rate consumer and commercial loans. Consumer and commercial loans carry higher risk weighted rates in the reserve calculation as compared to residential mortgage loans. Real estate acquired in foreclosure and classified loans decreased \$1,314,000 from \$7,532,000 at June 30, 2006 to \$6,218,000 at June 30, 2007. During the three months ended June 30, 2007, bad debt charge-offs, net of recoveries, was \$50,000 as compared to \$102,000 for the same period in the previous year.

Non-Interest Income

Total non-interest income increased \$85,000, or 11.69%, to \$812,000 for the three months ended June 30, 2007 from \$727,000 for the same period in the previous year. Fees from financial services increased \$62,000, or 8.49%, to \$792,000 for the three months ended June 30, 2007 from \$730,000 for the same period in the previous year. The change was from an increase in service charges due to an increase in the number of transaction accounts.

Non-Interest Expense

For the three months ended June 30, 2007, total non-interest expense increased \$338,000, or 14.24%, to \$2,711,000 from \$2,373,000 for the same period in 2006. The increase was due primarily to higher operating costs associated with banking centers opened in Simpsonville, South Carolina and two in Rock Hill, South Carolina during the previous twelve months. During the quarter, the Company announced the closing of one banking center located in Winnsboro, South Carolina. The Company recorded a \$135,000 write-down on the building value of the closed location. Compensation and employee benefits increased \$136,000, or 11.88%, to \$1,281,000 for the three months ended June 30, 2007 from \$1,145,000 for the same period in 2006 due primarily to higher compensation and benefits costs for normal merit salary increases and additional staff due to the new banking center openings. Occupancy and equipment expense increased \$192,000, or 36.43%, to \$719,000 for the three months ended June 30, 2007 from \$527,000 for the same period in 2006, due primarily to higher lease expense from the new locations along with the \$135,000 write down for the closed banking center. Advertising/public relations expense increased \$38,000, or 63.33%, to \$98,000 for the three months ended June 30, 2007 from \$60,000 for the same period in 2006 due primarily to product and promotion expenses for the new banking center locations and product promotion expenses for business checking accounts. Loan operations expense increased \$14,000, or 100%, to \$28,000 for the three months ended June 30, 2007 from \$14,000 for the same period in 2006, due to higher costs associated with loan foreclosures. Intangible amortization expense decreased \$47,000, or 29.56%, to \$112,000 for the three months ended June 30, 2007 from \$159,000 for the same period in 2006, due to deposit premiums related to branch acquisitions becoming fully amortized.

Results of operations for the six months ended June 30, 2007 and 2006**General**

Net income decreased \$88,000, or 6.58%, to \$1,250,000 for the six months ended June 30, 2007 as compared to \$1,338,000 for the same period in 2006 as increases in net interest income and non-interest income and a reduction in the provision for loan losses were more than offset by an increase in non-interest expense. The increase in non-interest expense from the prior year reflects the additional expenses associated with opening three banking centers in the previous twelve months. During the second quarter, the Company announced the closing of one banking center located in Winnsboro, South Carolina. The deposits and operations contained in the banking center to be closed will be moved into a larger Winnsboro, South Carolina location in order to improve the efficiencies for Fairfield county. The Company recorded a \$135,000 write-down on the building value of the closed location. The closing will be completed during the third quarter of 2007.

Average Yields and Rates

(dollars in thousands)

	Period Ended June 30,					
	2007			2006		
	Average Balance	Interest	Average Yield/Cost	Average Balance	Interest	Average Yield/Cost
	-----	-----	-----	-----	-----	-----
Interest-earning assets:						
Loans (1)	\$ 235,785	\$ 9,579	8.13%	\$ 201,029	\$ 7,919	7.88%
Mortgage-backed securities	25,132	596	4.74%	26,916	560	4.16%
Investment securities	93,705	2,503	5.34%	111,556	2,583	4.63%
Other interest-earning assets	7,327	201	5.50%	5,321	134	5.04%
	-----	-----	-----	-----	-----	-----
Total interest-earning assets	361,949	12,879	7.12%	344,822	11,196	6.49%
	-----	-----	-----	-----	-----	-----
Non-interest-earning assets	31,658			26,769		
	-----			-----		
Total assets	\$ 393,607			\$ 371,591		
	=====			=====		
Interest-bearing liabilities:						
Deposits	260,578	4,786	3.67%	247,871	3,610	2.91%
Floating rate junior subordinated deferrable interest debentures	12,372	445	7.19%	8,247	347	8.42%
FHLB advances and other borrowings	91,259	2,167	4.75%	87,877	1,904	4.33%
	-----	-----	-----	-----	-----	-----
Total interest-bearing liabilities	364,209	7,398	4.06%	343,995	5,861	3.41%
	-----	-----	-----	-----	-----	-----
Non-interest-bearing liabilities	2,738			2,163		
	-----			-----		
Total liabilities	366,947			346,158		
Shareholders' equity	26,660			25,433		
	-----			-----		
Total liabilities and shareholders' equity	\$ 393,607			\$ 371,591		
	=====			=====		
Net interest income/spread		\$ 5,481	3.05%		\$ 5,335	3.08%
		=====			=====	
Net yield on earning assets			3.03%			3.09%

(1) Average balances of loans include non-accrual loans.

Interest Income

Interest income increased \$1,683,000, or 15.03%, to \$12,879,000 for the six months ended June 30, 2007 as compared to the same period in 2006. Interest income on loans increased by 20.96%, or \$1,660,000, to \$9,579,000 for the six months ended June 30, 2007 from \$7,919,000 for the six months ended June 30, 2006, due primarily to increasing market interest rates along with a higher average balance of loans with a higher average rate due to our increased emphasis on commercial and consumer loan originations. Interest on deposits and federal funds sold, combined with interest and dividends on investment and mortgage-backed securities increased \$23,000, or 0.70%, for the six months ended June 30, 2007 to \$3,300,000 from \$3,277,000 during the same period in 2006 due to higher yields from higher market interest rates, offset by lower average balances.

Interest Expense

Interest expense increased \$1,537,000, or 26.22%, to \$7,398,000 for the six months ended June 30, 2007 as compared to the six months ended June 30, 2006. Interest expense on deposit accounts increased \$1,176,000, or 32.58%, to \$4,786,000 for the six months ended June 30, 2007 from \$3,610,000 during the same period in 2006 due to higher averages balances and cost of deposits as a result of higher market rates. The Corporation continues to target lower cost demand deposit accounts versus traditional higher cost certificates of deposits. Interest expense on borrowings increased \$263,000, or 13.81%, for the six months ended June 30, 2007 as compared to the same period in the previous year due to higher market interest rates and higher average balances. Interest expense on floating rate junior subordinated deferrable interest debentures increased \$98,000, or 28.24%, to \$445,000 for the six months ended June 30, 2007 from \$347,000 during the same period in 2006 due to higher average balances, offset by lower rates as existing higher-cost debentures were repaid with the proceeds of a new issuance at a lower rate. In addition, on July 21, 2006, the Corporation completed a private placement of \$4 million in trust preferred securities thereby increasing outstanding balances to \$12 million at June 30, 2007 compared to \$8 million at June 30, 2006.

Provision for Loan Losses

During the six months ended June 30, 2007, the provision for loan losses was \$245,000 as compared to \$310,000 for the same period in the previous year due to a decrease in classified loans and charge-offs partially offset by loan growth. The provision also reflects the Corporation's continued movement from longer-term, fixed-rate residential mortgage loans to shorter-term, floating rate-consumer and commercial loans. Consumer and commercial loans carry higher risk weighted rates in the reserve calculation as compared to residential mortgage loans. Real estate acquired in foreclosure and loans classified decreased \$840,000 from \$7,058,000 at December 31, 2006 to \$6,218,000 at June 30, 2007. During the six months ended June 30, 2007, bad debt charge-offs, net of recoveries, was \$58,000 as compared to \$130,000 for the same period in the previous year. Corporation's loan loss allowance at June 30, 2007 was approximately 1.23% of the Corporation's outstanding loan portfolio and 130.53% of non-performing loans compared to 1.17% of the Corporation's outstanding loan portfolio and 212.66% of non-performing loans at December 31, 2006.

The changes in the allowance for loan losses consisted of the following (in thousands):

Balance at beginning of period	\$2,754
Provision for loan losses	245
Charge-offs, net	(58)

Balance at end of period	\$2,941
	=====

The following table sets forth information with respect to the Bank's non-performing assets at the dates indicated (dollars in thousands):

	June 30, 2007	December 31, 2006
	-----	-----
Non-accruing loans which are contractually past due 90 days or more:		
Real estate	\$ 98	\$ 459
Commercial	1,924	631
Consumer	231	205
	-----	-----
Total	\$ 2,253	\$ 1,295
	=====	=====
Percentage of loans receivable	0.95%	0.56%
	=====	=====
Percentage of allowance for loan losses to total loans outstanding	1.23%	1.17%
	=====	=====
Allowance for loan losses	\$ 2,941	\$ 2,754
	=====	=====
Real estate acquired through foreclosure and repossessed assets	\$ 148	\$ 148
	=====	=====

Non-performing loans for the six months ended June 30, 2007 increased \$958,000 from December 31, 2006 due primarily to one commercial loan totaling \$1,250,000 becoming 90 days delinquent, offset by a decrease in nonperforming residential real estate loans. This loan is well supported by commercial real estate that should reduce the exposure to loss for the Corporation.

The allowance for loan loss calculation includes a segmentation of loan categories subdivided by residential mortgage, commercial and consumer loans. Each category is rated for all loans including performing groups. The weight assigned to each performing group is developed from previous loan loss experience and as the loss experience changes, the category weight is adjusted accordingly. In addition to loan loss experience, management's evaluation of the loan portfolio includes the market value of the underlying collateral, growth and composition of the loan portfolio, delinquency trends and economic conditions. Management evaluates the carrying value of loans periodically and the allowance for loan loss calculation will adjust accordingly.

Non-Interest Income

Total non-interest income increased \$122,000, or 8.63%, to \$1,535,000 for the six months ended June 30, 2007 from \$1,413,000 for the same period in the previous year. Fees from financial services increased \$132,000, or 9.70%, to \$1,493,000 for the six months ended June 30, 2007 from \$1,361,000 for the same period in the previous year. The increase was due to higher service fees as a result of an increase in transaction accounts.

Non-Interest Expense

For the six months ended June 30, 2007, total non-interest expense increased \$591,000, or 12.96%, to \$5,151,000 from \$4,560,000 for the same period in 2006. The increase was due primarily to higher operating costs associated with banking centers opened in Simpsonville, South Carolina and two in Rock Hill, South Carolina during the previous twelve months. During the second quarter, the Company announced the closing of one banking center located in Winnsboro, South Carolina. The deposits and operations contained in the banking center to be closed will be moved into a larger Winnsboro, South Carolina location in order to improve the efficiencies for Fairfield county. The Company recorded a

\$135,000 write-down on the building value of the closed location. The closing will be completed during the third quarter of 2007. Compensation and employee benefits increased \$233,000, or 10.44%, to \$2,464,000 for the six months ended June 30, 2007 from \$2,231,000 for the same period in 2006 due primarily to higher compensation and benefits costs for normal merit salary increases and additional staff due to the new banking center openings. Occupancy and equipment expense increased \$290,000, or 28.63%, to \$1,303,000 for the six months ended June 30, 2007 from \$1,013,000 for the same period in 2006 due primarily to higher lease expense from the new locations along with the \$135,000 write down for the closed banking center. Advertising/public relations expense increased \$70,000, or 72.16%, to \$167,000 for the six months ended June 30, 2007 from \$97,000 for the same period in 2006 due primarily to product and promotion expenses for the new banking center locations. Loan operations expense increased \$39,000, or 134.48%, to \$68,000 for the six months ended June 30, 2007 from \$29,000 for the same period in 2006, due to higher costs associated with foreclosures. Intangible amortization expense decreased \$47,000, or 14.78%, to \$271,000 for the six months ended June 30, 2007 from \$318,000 for the same period in 2006, due to deposit premiums related to branch acquisitions becoming fully amortized.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The Corporation is committed to following a program of asset and liability management in an effort to manage the fluctuations in earnings caused by movements in interest rates. A significant portion of the Corporation's income results from the spread between the yield realized on its interest-earning assets and the rate of interest paid on its deposits and other borrowings. Differences in the timing and volume of repricing assets versus the timing and volume of repricing liabilities expose the Corporation to interest rate risk. Management's policies are directed at minimizing the impact on earnings of movements in interest rates.

The Corporation's Asset/Liability Committee makes pricing and marketing decisions on deposit and loan products in conjunction with managing the Corporation's interest rate risk. In addition, the Asset/Liability Committee reviews the Corporation's securities portfolio, FHLB advances and other borrowings as well as the Corporation's asset and liability policies.

The primary objective of Asset/Liability management at the Corporation is to manage interest rate risk and achieve reasonable stability in net interest income throughout interest rate cycles in order to maintain adequate liquidity. This is achieved by maintaining the proper balance of rate-sensitive earning assets and rate-sensitive costing liabilities. The relationship of rate-sensitive earning assets to rate-sensitive costing liabilities is the principal factor in projecting the effect that fluctuating interest rates will have on future net interest income. Rate-sensitive assets and interest-bearing liabilities are those that can be repriced to current market rates within a relatively short time period. Management monitors the rate sensitivity of interest-earning assets and interest-bearing liabilities over the entire life of these instruments.

The Corporation has established policies and monitors results to control interest rate sensitivity. Although the Corporation utilizes measures such as static gap, which is simply the measurement of the difference between interest-sensitive assets and interest-sensitive liabilities repricing for a particular time period, just as important a process is the evaluation of how particular assets and liabilities are impacted by changes in interest rates or selected indices as they reprice. Asset/liability modeling techniques are utilized by the Corporation to assess varying interest rate and balance sheet mix assumptions.

NET INTEREST INCOME SIMULATION ANALYSIS. The Corporation analyzes its interest rate sensitivity position to manage the risk associated with interest rate movements through the use of interest income simulation. The matching of assets and liabilities may be analyzed by examining the extent to which such assets and liabilities are "interest rate sensitive." An asset or liability is said to be interest rate sensitive within a specific time period if it will mature or reprice within that time period.

Interest income simulations utilizing interest rate shocks are completed quarterly and presented to the Asset/Liability Committee. The simulations provide an estimate of the impact of changes in interest rates on net interest income under a range of assumptions. The interest rate shocks are compared to board approved policy limits. The simulation incorporates assumptions regarding the potential timing in the repricing of certain assets and liabilities when market rates change and the changes in spreads between different market rates. The simulation analysis incorporates management's current assessment of the risk that pricing margins will change adversely over time due to competition or other factors.

Simulation analysis is only an estimate of the Corporation's interest rate risk exposure at a particular point in time. The Corporation continually reviews the potential effect changes in interest rates could have on the repayment of rate sensitive assets and funding requirements of rate sensitive liabilities.

The table below sets forth an approximation of the Corporation's exposure as a percentage of estimated net interest income for the next twelve month period using interest income simulation. The simulation uses projected repricing of assets and liabilities on the basis of contractual maturities, anticipated repayments and scheduled rate adjustments. Prepayment rates can have a significant impact on interest income simulation. When interest rates rise, prepayments tend to slow. When interest rates fall, prepayments tend to rise.

The following table reflects changes in estimated net interest income from rate shocks of (+) or (-) 100 and 200 basis points in a rising and falling interest rate environment for the Corporation.

Change in Rates (Basis Points)	At	At
	June 30, 2007	December 31, 2006
-----	-----	-----
+200	+7.30%	+3.76%
+100	+4.10%	+2.06%
-100	-4.71%	-2.42%
-200	-7.13%	-5.91%

The Corporation moved into an interest rate risk neutral environment for the period ending June 30, 2007 as compared to the period ending December 31, 2006 due primarily to growth in prime-based loan products along with a reduction in short-term borrowings.

The 200 and 100 basis point change in rates in the above table is assumed to occur evenly over the following twelve months. Based on the scenario above, net interest income would be positively affected in the twelve-month periods if rates rose by 100 and 200 basis points, but would be adversely affected if rates declined by 100 and 200 basis points.

Item 4. Controls and Procedures

The Corporation's management, including the Corporation's principal executive officer and principal financial officer, have evaluated the effectiveness of the Corporation's "disclosure controls and procedures," as such term is defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended, (the "Exchange Act"). Based upon their evaluation, the principal executive officer and principal financial officer concluded that, as of the end of the period covered by this report, the Corporation's disclosure controls and procedures were effective for the purpose of ensuring that the information required to be disclosed in the reports that the Corporation files or submits under the Exchange Act with the Securities and Exchange Commission (the "SEC")

(1) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (2) is accumulated and communicated to the Corporation's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

There has been no change in the Corporation's internal control over financial reporting identified in connection with the evaluation required by Rule

13(a)-15(e) that occurred during the Corporation's last fiscal quarter that has materially affected or is reasonably likely to materially affect, the Corporation's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The Corporation is not involved in any legal proceedings. The Bank is not involved in any pending legal proceedings other than routine legal proceedings occurring in the normal course of business. Management believes that these proceedings are immaterial to the Corporation's financial condition and results of operations.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2006, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K are not the only risks that we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table provides certain information with regard to shares repurchased by the Corporation during the second quarter of 2007.

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per share	(c) Total Number of Shares Purchased as part of Publicly Announced Programs	(d) Maximum Number of Shares that may be purchased under Program
-----	-----	-----	-----	-----
April 1, 2007 through April 30, 2007	--	--	--	101,798
May 1, 2007 through May 31, 2007	--	--	--	101,798
June 1, 2007 through June 30, 2007	25,224	\$21.06	25,224	76,574
Total	25,224	\$21.06	25,224	N/A

In May 2005, the Corporation implemented a share repurchase program under which the Corporation may repurchase up to 5% of the outstanding shares or 98,000 shares. In August 2006, the program was expanded by an additional 5% or 92,000 shares. The repurchase program will continue until it is completed or terminated by the Board of Directors.

Item 3. Defaults upon Senior Securities

Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders

The Annual Meeting of the Stockholders of the Corporation was held on April 25, 2007. The results of the vote on the matters presented at the meeting is as follows:

1. The following individuals were elected as directors, each for a three-year term by the following vote:

	Votes For -----	Votes Withheld -----
Robert H. Breakfield	1,282,299	39,093
James W. Edwards	1,289,139	32,253

2. The appointment of Elliott Davis, LLC, as auditors for the Corporation for the year ending December 31, 2007 was ratified by the stockholders by the following vote:

For 1,314,064 Against 5,021 Abstain 2,307

Item 5. Other Information

On April 25, 2007, the Company and the Bank amended and restated its change in control agreement with Lud W. Vaughn, Executive Vice President and Chief Operating officer. The amendments extended the term of the agreement from one year to two years. The term continues to be able to be extended daily, unless written notice of non-renewal is given by the Board of Directors. The amendment also increased the payment that Mr. Vaughn receives following a change in control of the Company or the Bank from one times his base salary to two times his base salary. Additionally, the period of time in which Mr. Vaughn's health and welfare benefits would be continued after the change of control was extended from twelve months to twenty four months.

Item 6. Exhibits

- 10(a) Amended and Restated Change in Control Agreement by and among Lud W. Vaughn, Provident Community Bank, N.A. and Provident Community Bancshares, Inc.
- 10(b) Provident Community Bank, National Association Supplemental Executive Retirement Plan with Lud W. Vaughn
- 31(a) Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer
- 31(b) Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
- 32(a) Chief Executive Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32(b) Chief Financial Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PROVIDENT COMMUNITY BANCSHARES, INC.

(Registrant)

Date: August 13, 2007

By: /s/ Dwight V. Neese

Dwight V. Neese, President and
Chief Executive Officer

Date: August 13, 2007

By: /s/ Richard H. Flake

Richard H. Flake, Executive Vice
President and Chief Financial
Officer

Exhibit 10(a)

**AMENDED AND RESTATED
CHANGE IN CONTROL AGREEMENT**

THIS AGREEMENT, originally effective as of April 17, 2003, by and between Lud W. Vaughn (the "Executive"), Provident Community Bank, (the "Bank"), and Union Financial Bancshares, Inc., now Provident Community Bancshares, Inc., (the "Company"), is hereby amended and restated in its entirety effective as of April 25, 2007.

WHEREAS, Executive serves the Bank and the Company in a position of substantial responsibility; and

WHEREAS, the Bank and the Company recognize the substantial contributions of Executive and wish to continue to protect his position for the period provided in this Agreement; and

WHEREAS, this Agreement shall supersede any and all prior agreements related to the subject matter hereof between Executive, the Bank and the Company.

NOW, THEREFORE, in consideration of the foregoing and upon the other terms and conditions hereinafter provided, the parties hereby agree as follows:

1. Term of Agreement

(a) The term of this Agreement shall be (i) the period commencing on April 25, 2007 (the "Effective Date"), and continuing for a period of twenty-four (24) months thereafter; plus (ii) any and all extensions of the term made pursuant to this Section 1.

(b) Commencing on the Effective Date and on each day thereafter, the term under this Agreement shall be renewed automatically for an additional one

(1) day period beyond the then-effective expiration date without action by any party; provided, however, that neither the Bank or the Company, on the one hand, or Executive, on the other, has given at least sixty (60) days written notice of its or his desire that the term not be renewed. In the event either party provides such notice, the term of this Agreement shall become fixed and shall end on the second anniversary of the date of written notice.

2. Payments to Executive Upon a Change in Control

(a) Upon the occurrence of a Change in Control (as herein defined) of the Company or the Bank followed within twelve (12) months of the effective date of a Change in Control by the voluntary or involuntary termination of Executive's employment, other than Termination for Cause, as defined in Section 2(c) hereof, the provisions of Section 3 shall apply. For purposes of this Agreement, "voluntary termination" shall be limited to the circumstances in which, during the term of this Agreement, Executive elects to voluntarily terminate his employment within twelve (12) months of the effective date of a Change in Control following any demotion, loss of title, office or significant authority, reduction in his annual compensation or benefits (other than a reduction affecting the Bank's personnel generally), or relocation of his principal place of employment by more than thirty-five (35) miles from its location immediately prior to the Change in Control.

(b) For purposes of this Agreement, a "Change in Control" shall be deemed to occur on the earliest of any of the following events:

(i) Merger: The Company or the Bank merges into or consolidates with another corporation, or merges another corporation into the Company or the Bank, and as a result, less than a majority of the combined voting power of the resulting corporation immediately after the merger or consolidation is held by persons who were stockholders of the Company or the Bank immediately before the merger or consolidation.

(ii) Acquisition of Significant Share Ownership: There is filed, or required to be filed, a report on Schedule 13D or another form or schedule (other than Schedule 13G) required under Sections 13(d) or 14(d) of the Securities Exchange Act of 1934, if the schedule discloses that the filing person or persons acting in concert has or have become the beneficial owner of 25% or more of a class of the Company's voting securities, but this clause (ii) shall not apply to beneficial ownership of Company voting shares held in a fiduciary capacity by an entity of which the Company directly or indirectly beneficially owns 50% or more of its outstanding voting securities.

(iii) Change in Board Composition: During any period of two consecutive years, individuals who constitute the Company's or the Bank's Board of Directors at the beginning of the two-year period cease for any reason to constitute at least a majority of the Company's or the Bank's Board of Directors; provided, however, that for purposes of this clause (iii), each director who is first elected by the board (or first nominated by the board for election by the stockholders) by a vote of at least two-thirds (2/3) of the directors who were directors at the beginning of the two-year period shall be deemed to have also been a director at the beginning of such period; or

(iv) Sale of Assets: The Company or the Bank sells to a third party all or substantially all of its assets.

(c) Executive shall not have the right to receive termination benefits pursuant to Section 3 hereof upon Termination for Cause. The term "Termination for Cause" shall mean termination because of Executive's intentional failure to perform stated duties, personal dishonesty, incompetence, willful misconduct, any breach of fiduciary duty involving personal profit, willful violation of any law, rule, regulation (other than traffic violations or similar offenses) or final cease and desist order, or material breach of any provision of this Agreement. In determining incompetence, the acts or omissions shall be measured against standards generally prevailing in the savings institution industry. Notwithstanding the foregoing, Executive shall not be deemed to have been

Terminated for Cause unless and until there shall have been delivered to him a copy of a resolution duly adopted by the affirmative vote of not less than three-fourths (3/4) of the members of the Board at a meeting of the Board called and held for that purpose (after reasonable notice to Executive and an opportunity for him, together with counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, Executive was guilty of conduct justifying Termination for Cause and specifying the particulars thereof in detail. Executive shall not have the right to receive compensation or other benefits for any period after Termination for Cause.

3. Termination

(a) Upon the occurrence of a Change in Control, followed within twelve (12) months of the effective date of a Change in Control by the voluntary or involuntary termination of Executive's employment other than for Termination for Cause, the Bank shall be obligated to pay Executive, or in the event of his subsequent death, his beneficiary or beneficiaries, or his estate, as the case may be, as severance pay, a sum equal to two (2) times Executive's base salary as in effect on the effective date of a Change in Control. The Bank shall pay this amount to Executive in a lump sum no later than thirty (30) days after the date of his termination. The Bank shall also continue to provide Executive with substantially identical life, medical and dental coverage for a period of twenty-four (24) months following his termination of employment. If the Bank is unable to provide such coverage because Executive is no longer an employee, the Bank shall provide Executive with substantially identical coverage on an individual basis.

(b) Notwithstanding anything herein to the contrary, in no event shall the aggregate payments or benefits to be made or afforded to Executive under this Section (the "Termination Benefits") constitute an "excess parachute payment" under Section 280G of the Internal Revenue Code of 1986, as amended, or any successor thereto. In order to avoid such a result, the Termination Benefits will be reduced, if necessary, to an amount, the value of which is one dollar (\$1.00) less than an amount equal to three (3) times Executive's "base amount," as determined in accordance with said Section 280G. The Executive shall determine the allocation of any required reduction in the Termination Benefits.

4. Effect on Prior Agreements; Existing Benefit Plans

This Agreement contains the entire understanding between the parties hereto and supersedes any prior agreement between the Bank and Executive, except that this Agreement shall not affect or operate to reduce any benefit or compensation inuring to Executive of a kind elsewhere provided. No provision of this Agreement shall be interpreted to mean that Executive is subject to receiving fewer benefits than those available to him without reference to this Agreement.

5. No Attachment

(a) Except as required by law, no right to receive payments under this Agreement shall be subject to anticipation, commutation, alienation, sale, assignment, encumbrance, charge, pledge, or hypothecation, or to execution, attachment, levy, or similar process or assignment by operation of law, and any attempt, voluntary or involuntary, to affect any such action shall be null, void and of no effect.

(b) This Agreement shall be binding upon, and inure to the benefit of, Executive, the Company, the Bank and their respective successors and assigns.

6. Modification and Waiver

(a) This Agreement may not be modified or amended except by an instrument in writing signed by the parties hereto.

(b) No term or condition of this Agreement shall be deemed to have been waived, nor shall there be an estoppel against the enforcement of any provision of this Agreement, except by written instrument of the party charged with such waiver or estoppel. No such written waiver shall be deemed a continuing waiver unless specifically stated therein, and each such waiver shall operate only as to the specific term or condition waived and shall not constitute a waiver of such term or condition for the future or as to any act other than that specifically waived.

7. Severability

If, for any reason, any provision of this Agreement, or any part of any provision, is held invalid, such invalidity shall not affect any other provision of this Agreement or any part of such provision not held so invalid, and each such other provision and part thereof shall to the full extent consistent with law continue in full force and effect.

8. Headings for Reference Only

The headings of sections and paragraphs herein are included solely for convenience of reference and shall not control the meaning or interpretation of any of the provisions of this Agreement.

9. Governing Law

(a) The validity, interpretation, performance, and enforcement of this Agreement shall be governed by the laws of the State of South Carolina, unless preempted by federal law as now or hereafter in effect.

(b) Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration, conducted before a panel of three arbitrators sitting in a location selected by the employee within fifty (50) miles from the location of the Bank, in accordance with the rules of the American Arbitration Association then in effect.

10. Source of Payments

All payments provided in this Agreement shall be timely paid in cash or check from the general funds of the Bank. The Company, however, guarantees all payments and the provision of all amounts and benefits due hereunder to Executive and, if such payments are not timely paid or provided by the Bank, such amounts and benefits shall be paid or provided by the Company.

11. Payment of Legal Fees

All reasonable legal fees paid or incurred by Executive pursuant to any dispute or question of interpretation relating to this Agreement shall be paid or reimbursed by the Bank if Executive is successful on the merits pursuant to a legal judgment, arbitration or settlement.

12. Successor to the Bank or the Company

The Bank and the Company shall require any successor or assignee, whether direct or indirect, by purchase, merger, consolidation or otherwise, to all or substantially all of the business or assets of the Bank or the Company, expressly and unconditionally to assume and agree to perform the Bank's or the Company's obligations under this Agreement, in the same manner and to the same extent that the Bank or the Company would be required to perform if no such succession or assignment had taken place.

IN WITNESS WHEREOF, the Bank and the Company have caused this Agreement to be executed by a duly authorized officer, and Executive has signed this Agreement, as of the date of amendment and restatement set forth above.

ATTEST:

PROVIDENT COMMUNITY BANK

/s/ Wanda J. Wells

By: /s/ Dwight V. Neese

Dwight V. Neese

ATTEST:

PROVIDENT COMMUNITY BANCSHARES, INC.

/s/ Wanda J. Wells

By: /s/ Dwight V. Neese

Dwight V. Neese

WITNESS:

EXECUTIVE

/s/ Brenda T. Billardello

/s/ Lud W. Vaughn

Lud W. Vaughn

Exhibit 10(b)

**PROVIDENT COMMUNITY BANK, NATIONAL ASSOCIATION
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN**

THIS SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN (the "Agreement") is adopted this 1st day of January, 2007, by and between Provident Community Bank, National Association, a nationally-chartered commercial bank located in Union, South Carolina (the "Bank"), and Lud Vaughn (the "Executive").

The purpose of this Agreement is to provide specified benefits to the Executive, a member of a select group of management or highly compensated employees who contribute materially to the continued growth, development and future business success of the Bank. This Agreement shall be unfunded for tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended from time to time.

Article 1 Definitions

Whenever used in this Agreement, the following words and phrases shall have the meanings specified:

1.1 "Accrual Balance" means the liability that should be accrued by the Bank, under Generally Accepted Accounting Principles ("GAAP"), for the Bank's obligation to the Executive under this Agreement, by applying Accounting Principles Board Opinion Number 12 ("APB 12") as amended by Statement of Financial Accounting Standards Number 106 ("FAS 106") and the Discount Rate. Any one of a variety of amortization methods may be used to determine the Accrual Balance. However, once chosen, the method must be consistently applied.

1.2 "Beneficiary" means each designated person or entity, or the estate of the deceased Executive, entitled to any benefits upon the death of the Executive pursuant to Article 4.

1.3 "Beneficiary Designation Form" means the form established from time to time by the Plan Administrator that the Executive completes, signs and returns to the Plan Administrator to designate one or more Beneficiaries.

1.4 "Board" means the Board of Directors of the Bank as from time to time constituted.

1.5 "Change in Control" means an event deemed to occur if and when (a) an offeror other than the Company purchases shares of the common stock of the Company or the Bank pursuant to a tender or exchange offer for such shares, (b) any person (as such term is used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934) is or becomes the beneficial owner, directly or indirectly, of securities of the Company or the Bank representing twenty five percent (25%) or more of the combined voting power of the Company's of the Bank's then outstanding securities, (c) the

membership of the board of directors of the Company or the Bank changes as the result of a contested election, such that individuals who were directors at the beginning of any twenty-four (24) month period (whether commencing before or after the date of adoption of this Agreement) do not constitute a majority of the Board at the end of such period, or (d) shareholders of the Company or the Bank approve a merger, consolidation, sale or disposition of all or substantially all of the Company's or Bank's assets, or a plan of partial or complete liquidation.

1.6 "Code" means the Internal Revenue Code of 1986, as amended, and all regulations and guidance thereunder, including such regulations and guidance as may be promulgated after the Effective Date of this Agreement.

1.7 "Company" means Union Financial Bancshares, Inc., a Delaware corporation.

1.8 "Disability" means the Executive suffering a sickness, accident or injury which has been determined by the carrier of any individual or group disability insurance policy covering the Executive, or by the Social Security Administration, to be a disability rendering the Executive totally and permanently disabled. The Executive must submit proof to the Company of the carrier's or Social Security Administration's determination upon the request of the Company.

1.9 "Discount Rate" means the rate used by the Plan Administrator for determining the Accrual Balance. The initial Discount Rate is six percent (6%). However, the Plan Administrator, in its discretion, may adjust the Discount Rate to maintain the rate within reasonable standards according to GAAP and/or applicable bank regulatory guidance.

1.10 "Early Retirement" means Separation from Service before Normal Retirement Age except when such Separation from Service occurs: (i) following a Change in Control; or (ii) due to death, Disability or Termination for Cause.

1.11 "Effective Date" means January 1, 2007.

1.12 "Normal Retirement Age" means the Executive attaining age sixty-five (65).

1.13 "Normal Retirement Date" means the later of Normal Retirement Age or Separation from Service.

1.14 "Plan Administrator" means the Board or such committee or person as the Board shall appoint.

1.15 "Plan Year" means each twelve (12) month period commencing on October 1 and ending on September 30 of each year. The initial Plan Year shall commence on the Effective Date of this Agreement and end on the following September 30.

1.16 "Separation from Service" means the termination of the Executive's employment with the Bank for reasons other than death. Whether a Separation from Service takes place is determined based on the facts and circumstances surrounding the termination of the Executive's employment and whether the Bank and the Executive intended for the Executive to provide significant services for the Bank following such termination. A termination of employment will not be considered a Separation from Service if:

(a) the Executive continues to provide services as an employee of the Bank at an annual rate that is twenty percent (20%) or more of the services rendered, on average, during the immediately preceding three full calendar years of employment (or, if employed less than three years, such lesser period) and the annual remuneration for such services is twenty percent (20%) or more of the average annual remuneration earned during the final three full calendar years of employment (or, if less, such lesser period), or

(b) the Executive continues to provide services to the Bank in a capacity other than as an employee of the Bank at an annual rate that is fifty percent (50%) or more of the services rendered, on average, during the immediately preceding three full calendar years of employment (or if employed less than three years, such lesser period) and the annual remuneration for such services is fifty percent (50%) or more of the average annual remuneration earned during the final three full calendar years of employment (or if less, such lesser period).

1.17 "Specified Employee" a key employee (as defined in Section 416(i) of the Code without regard to paragraph 5 thereof) of the Bank if any stock of the Bank is publicly traded on an established securities market or otherwise.

1.18 "Termination for Cause" shall have the meaning set forth in Article 5.

Article 2 Distributions During Lifetime

2.1 Normal Retirement Benefit. Upon the Normal Retirement Date, the Bank shall distribute to the Executive the benefit described in this Section 2.1 in lieu of any other benefit under this Article.

2.1.1 Amount of Benefit. The annual benefit under this Section 2.1 is Fifty Thousand Dollars (\$50,000).

2.1.2 Distribution of Benefit. The Bank shall distribute the annual benefit to the Executive in twelve (12) equal monthly installments commencing on the first day of the month following Normal Retirement Date. The annual benefit shall be distributed to the Executive for fifteen (15) years.

2.2 Early Retirement Benefit. If Early Retirement occurs, the Bank shall distribute to the Executive the benefit described in this Section 2.2 in lieu of any other benefit under this Article.

2.2.1 Amount of Benefit. The benefit under this Section 2.2 is the Normal Retirement Benefit multiplied by the applicable vesting amount. This benefit is determined by vesting the Executive in ten percent (10%) of the Normal Retirement Benefit for the first Plan Year, and an additional ten percent (10%) of said amount for each succeeding year thereafter. Upon the Executive reaching Normal Retirement Age, the Executive becomes one hundred percent (100%) vested in the Normal Retirement Benefit.

2.2.2 Distribution of Benefit. The Bank shall distribute the annual benefit to the Executive in twelve (12) equal monthly installments commencing on the first day of the month following Normal Retirement Age. The annual benefit shall be distributed to the Executive for fifteen (15) years.

2.3 Disability Benefit. If the Executive experiences a Disability which results in a Separation from Service prior to Normal Retirement Age, the Bank shall distribute to the Executive the benefit described in this Section 2.3 in lieu of any other benefit under this Article.

2.3.1 Amount of Benefit. The benefit under this Section 2.3 is one hundred percent (100%) of the Accrual Balance determined as of the end of the Plan Year preceding Separation from Service.

2.3.2 Distribution of Benefit. The Bank shall distribute the annual benefit to the Executive in twelve (12) equal monthly installments commencing on the first day of the month following Separation from Service. The annual benefit shall be distributed to the Executive for fifteen (15) years. During the applicable installment period, interest will be applied to the Accrual Balance at the Discount Rate in effect at Separation from Service, compounded monthly.

2.4 Change in Control Benefit. If a Change in Control occurs followed by a Separation from Service, the Bank shall distribute to the Executive the benefit described in this Section 2.4 in lieu of any other benefit under this Article.

2.4.1 Amount of Benefit. The benefit under this Section 2.4 is one hundred percent (100%) of the Normal Retirement Benefit amount described in Section 2.1.1.

2.4.2 Distribution of Benefit. The Bank shall distribute the annual benefit to the Executive in twelve (12) equal monthly installments commencing on the first day of the month following Normal Retirement Age. The annual benefit shall be distributed to the Executive for fifteen (15) years.

2.5 Restriction on Timing of Distribution. Notwithstanding any provision of this Agreement to the contrary, if the Executive is considered a Specified Employee at Separation from Service under such procedures as established by the Bank in accordance with Section 409A of the Code, benefit distributions that are made upon Separation from Service may not commence earlier than

six (6) months after the date of such Separation from Service. Therefore, in the event this Section 2.5 is applicable to the Executive, any distribution which would otherwise be paid to the Executive within the first six months following the Separation from Service shall be accumulated and paid to the Executive in a lump sum on the first day of the seventh month following the date of Separation from Service. All subsequent distributions shall be paid in the manner specified.

2.6 Distributions Upon Income Inclusion Under Code Section 409A. Upon the inclusion of any amount into the Executive's income as a result of the failure of this non-qualified deferred compensation plan to comply with the requirements of Section 409A of the Code, to the extent such tax liability can be covered by the Executive's Accrual Balance, a distribution shall be made as soon as is administratively practicable following the discovery of the plan failure.

2.7 Change in Form or Timing of Distributions. For distribution of benefits under this Article 2, the Executive and the Bank may, subject to the terms of Section 8.1, amend the Agreement to delay the timing or change the form of distributions. Any such amendment:

- (a) may not accelerate the time or schedule of any distribution, except as provided in Code Section 409A and the regulations thereunder;
- (b) must, for benefits distributable under Sections 2.2 and 2.4 be made at least twelve (12) months prior to the first scheduled distribution;
- (c) must, for benefits distributable under Article 2 delay the commencement of distributions for a minimum of five (5) years from the date the first distribution was originally scheduled to be made; and
- (d) must take effect not less than twelve (12) months after the amendment is made.

Article 3 Distribution at Death

3.1 Death During Active Service. If the Executive dies prior to Separation from Service, the Bank shall distribute to the Beneficiary the benefit described in this Section 3.1. This benefit shall be distributed in lieu of any benefits under Article 2.

3.1.1 Amount of Benefit. The benefit under this Section 3.1 is the Normal Retirement Benefit in Section 2.1.1.

3.1.2 Distribution of Benefit. The Bank shall distribute the annual benefit to the Beneficiary in twelve (12) equal monthly installments for fifteen (15) years commencing within sixty (60) days following receipt by the Bank of the Executive's death certificate.

3.2 Death During Distribution of a Benefit. If the Executive dies after any benefit distributions have commenced under this Agreement but before receiving all such distributions, the Bank shall distribute to the Beneficiary the remaining benefits at the same time and in the same amounts they would have been distributed to the Executive had the Executive survived.

3.3 Death After Early Retirement. If the Executive dies after Separation from Service for Early Retirement under Section 2.2 but prior to commencement of benefit payments under this Agreement, the Bank shall pay to the Beneficiary the benefit described in Section 3.3.

3.3.1 Amount of Benefit. The benefit under this Section 3.3 is the lifetime benefits that would have been paid to the Executive under Section 2.2.

3.3.2 Payment of Benefit. The Bank shall distribute the annual benefit to the Beneficiary in twelve (12) equal monthly installments commencing on the first day of the month following the Executive's death. The annual benefit shall be distributed to the Executive for fifteen (15) years.

Article 4 Beneficiaries

4.1 In General. The Executive shall have the right, at any time, to designate a Beneficiary to receive any benefit distributions under this Agreement upon the death of the Executive. The Beneficiary designated under this Agreement may be the same as or different from the beneficiary designation under any other plan of the Bank in which the Executive participates.

4.2 Designation. The Executive shall designate a Beneficiary by completing and signing the Beneficiary Designation Form and delivering it to the Plan Administrator or its designated agent. If the Executive names someone other than the Executive's spouse as a Beneficiary, the Plan Administrator may, in its sole discretion, determine that spousal consent is required to be provided in a form designated by the Plan Administrator, executed by the Executive's spouse and returned to the Plan Administrator. The Executive's beneficiary designation shall be deemed automatically revoked if the Beneficiary predeceases the Executive or if the Executive names a spouse as Beneficiary and the marriage is subsequently dissolved. The Executive shall have the right to change a Beneficiary by completing, signing and otherwise complying with the terms of the Beneficiary Designation Form and the Plan Administrator's rules and procedures. Upon the acceptance by the Plan Administrator of a new Beneficiary Designation Form, all Beneficiary designations previously filed shall be cancelled. The Plan Administrator shall be entitled to rely on the last Beneficiary Designation Form filed by the Executive and accepted by the Plan Administrator prior to the Executive's death.

4.3 Acknowledgment. No designation or change in designation of a Beneficiary shall be effective until received, accepted and acknowledged in writing by the Plan Administrator or its designated agent.

4.4 No Beneficiary Designation. If the Executive dies without a valid beneficiary designation, or if all designated Beneficiaries predecease the Executive, then the Executive's spouse shall be the designated Beneficiary. If the Executive has no surviving spouse, any benefits shall be paid to the Executive's estate.

4.5 Facility of Distribution. If the Plan Administrator determines in its discretion that a benefit is to be distributed to a minor, to a person declared incompetent, or to a person incapable of handling the disposition of that person's property, the Plan Administrator may direct distribution of such benefit to the guardian, legal representative or person having the care or custody of such minor, incompetent person or incapable person. The Plan Administrator may require proof of incompetence, minority or guardianship as it may deem appropriate prior to distribution of the benefit. Any distribution of a benefit shall be a distribution for the account of the Executive and the Beneficiary, as the case may be, and shall be completely discharge of any liability under the Agreement for such distribution amount.

Article 5 General Limitations

Notwithstanding any provisions of this Agreement to the contrary, the Bank shall not pay any benefit under this Agreement:

5.1 Termination for Cause. If the Bank terminates the Executive's employment for:

- (a) Gross negligence or gross neglect of duties to the Bank; or
- (b) Conviction of a felony or of a gross misdemeanor involving moral turpitude in connection with the Executive's employment with the Bank; or
- (c) Fraud, disloyalty, dishonesty or willful violation of any law or significant Bank policy committed in connection with the Executive's employment and resulting in a material adverse effect on the Bank.

5.2 Suicide or Misstatement. No benefit shall be distributed if the Executive commits suicide within two (2) years after the Effective Date of this Agreement, or if an insurance company which issued a life insurance policy covering the Executive and owned by the Bank denies coverage (i) for material misstatements of fact made by the Executive on an application for such life insurance, or (ii) for any other reason.

5.3 Removal. Notwithstanding any provision of this Agreement to the contrary, the Bank shall not distribute any benefit under this Agreement if the Executive is subject to a final removal or prohibition order issued by an appropriate federal banking agency pursuant to Section 8(e) of the Federal Deposit Insurance Act.

Article 6 Claims And Review Procedures

6.1 Claims Procedure. An Executive or Beneficiary ("claimant") who has not received benefits under the Agreement that he or she believes should be distributed shall make a claim for such benefits as follows:

6.1.1 Initiation - Written Claim. The claimant initiates a claim by submitting to the Plan Administrator a written claim for the benefits. If such a claim relates to the contents of a notice received by the claimant, the claim must be made within sixty (60) days after such notice was received by the claimant. All other claims must be made within one hundred eighty (180) days of the date on which the event that caused the claim to arise occurred. The claim must state with particularity the determination desired by the claimant.

6.1.2 Timing of Plan Administrator Response. The Plan Administrator shall respond to such claimant within ninety (90) days after receiving the claim. If the Plan Administrator determines that special circumstances require additional time for processing the claim, the Plan Administrator can extend the response period by an additional ninety (90) days by notifying the claimant in writing, prior to the end of the initial ninety (90) day period that an additional period is required. The notice of extension must set forth the special circumstances and the date by which the Plan Administrator expects to render its decision.

6.1.3 Notice of Decision. If the Plan Administrator denies part or the entire claim, the Plan Administrator shall notify the claimant in writing of such denial. The Plan Administrator shall write the notification in a manner calculated to be understood by the claimant. The notification shall set forth:

- (a) The specific reasons for the denial;
- (b) A reference to the specific provisions of the Agreement on which the denial is based;
- (c) A description of any additional information or material necessary for the claimant to perfect the claim and an explanation of why it is needed;
- (d) An explanation of the Agreement's review procedures and the time limits applicable to such procedures; and
- (e) A statement of the claimant's right to bring a civil action under ERISA Section 502(a) following an adverse benefit determination on review.

6.2 Review Procedure. If the Plan Administrator denies part or the entire claim, the claimant shall have the opportunity for a full and fair review by the Plan Administrator of the denial as follows:

6.2.1 Initiation - Written Request. To initiate the review, the claimant, within sixty (60) days after receiving the Plan Administrator's notice of denial, must file with the Plan Administrator a written request for review.

6.2.2 Additional Submissions - Information Access. The claimant shall then have the opportunity to submit written comments, documents, records and other information relating to the claim. The Plan Administrator shall also provide the claimant, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant (as defined in applicable ERISA regulations) to the claimant's claim for benefits.

6.2.3 Considerations on Review. In considering the review, the Plan Administrator shall take into account all materials and information the claimant submits relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination.

6.2.4 Timing of Plan Administrator Response. The Plan Administrator shall respond in writing to such claimant within sixty (60) days after receiving the request for review. If the Plan Administrator determines that special circumstances require additional time for processing the claim, the Plan Administrator can extend the response period by an additional sixty (60) days by notifying the claimant in writing, prior to the end of the initial sixty (60) day period that an additional period is required. The notice of extension must set forth the special circumstances and the date by which the Plan Administrator expects to render its decision.

6.2.5 Notice of Decision. The Plan Administrator shall notify the claimant in writing of its decision on review. The Plan Administrator shall write the notification in a manner calculated to be understood by the claimant. The notification shall set forth:

- (a) The specific reasons for the denial;
- (b) A reference to the specific provisions of the Agreement on which the denial is based;
- (c) A statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant (as defined in applicable ERISA regulations) to the claimant's claim for benefits; and
- (d) A statement of the claimant's right to bring a civil action under ERISA Section 502(a).

Article 7 Amendments and Termination

7.1 Amendments. This Agreement may be amended only by a written agreement signed by the Bank and the Executive. However, the Bank may unilaterally amend this Agreement to conform with written directives to the Bank from its auditors or banking regulators or to comply with legislative or tax law, including without limitation Code Section 409A of the Code and any and all regulations and guidance promulgated thereunder.

7.2 Plan Termination Generally. The Bank may unilaterally terminate this Agreement at any time. Except as provided in Section 7.3, the termination of this Agreement shall not cause a distribution of benefits under this Agreement. Rather, upon such termination benefit distributions will be made at the earliest distribution event permitted under Article 2 or Article 3.

7.3 Plan Terminations Under Code Section 409A. Notwithstanding anything to the contrary in Section 7.2, if the Bank terminates this Agreement in the following circumstances:

(a) Within thirty (30) days before or twelve (12) months after a change in the ownership or effective control of the corporation, or in the ownership of a substantial portion of the assets of the corporation as described in Section 409A(2)(A)(v) of the Code, provided that all distributions are made no later than twelve (12) months following such termination of the Agreement and further provided that all the Bank's arrangements which are substantially similar to the Agreement are terminated so the Executive and all participants in the similar arrangements are required to receive all amounts of compensation deferred under the terminated arrangements within twelve (12) months of such terminations;

(b) Upon the Bank's dissolution or with the approval of a bankruptcy court provided that the amounts deferred under the Agreement are included in the Executive's gross income in the latest of (i) the calendar year in which the Agreement terminates; (ii) the calendar year in which the amount is no longer subject to a substantial risk of forfeiture; or
(iii) the first calendar year in which the distribution is administratively practical; or

(c) Upon the Bank's termination of this and all other non-account balance plans (as referenced in Code Section 409A of the Code or the regulations thereunder), provided that all distributions are made no earlier than twelve (12) months and no later than twenty-four (24) months following such termination, and the Bank does not adopt any new non-account balance plans for a minimum of five (5) years following the date of such termination;

the Bank may distribute the Accrual Balance, determined as of the date of the termination of the Agreement, to the Executive in a lump sum subject to the above terms.

Article 8 Administration of Agreement

8.1 Plan Administrator Duties. The Plan Administrator shall administer this Agreement according to its express terms and shall also have the discretion and authority to (i) make, amend, interpret and enforce all appropriate rules and regulations for the administration of this Agreement and (ii)

decide or resolve any and all questions, including interpretations of this Agreement, as may arise in connection with the Agreement to the extent the exercise of such discretion and authority does not conflict with Code Section 409A.

8.2 Agents. In the administration of this Agreement, the Plan Administrator may employ agents and delegate to them such administrative duties as it sees fit, including acting through a duly appointed representative, and may from time to time consult with counsel who may be counsel to the Bank.

8.3 Binding Effect of Decisions. Any decision or action of the Plan Administrator with respect to any question arising out of or in connection with the administration, interpretation and application of the Agreement and the rules and regulations promulgated hereunder shall be final and conclusive and binding upon all persons having any interest in the Agreement.

8.4 Indemnity of Plan Administrator. The Bank shall indemnify and hold harmless the members of the Plan Administrator against any and all claims, losses, damages, expenses or liabilities arising from any action or failure to act with respect to this Agreement, except in the case of willful misconduct by the Plan Administrator or any of its members.

8.5 Bank Information. To enable the Plan Administrator to perform its functions, the Bank shall supply full and timely information to the Plan Administrator on all matters relating to the date and circumstances of the death, Disability or Separation from Service of the Executive, and such other pertinent information as the Plan Administrator may reasonably require.

8.6 Annual Statement. The Plan Administrator shall provide to the Executive, within one hundred twenty (120) days after the end of each Plan Year, a statement setting forth the benefits to be distributed under this Agreement.

Article 9 Miscellaneous

9.1 Binding Effect. This Agreement shall bind the Executive and the Bank, and their beneficiaries, survivors, executors, administrators and transferees.

9.2 No Guarantee of Employment. This Agreement is not a contract for employment. It does not give the Executive the right to remain as an employee of the Bank, nor interfere with the Bank's right to discharge the Executive. It does not require the Executive to remain an employee nor interfere with the Executive's right to terminate employment at any time.

9.3 Non-Transferability. Benefits under this Agreement cannot be sold, transferred, assigned, pledged, attached or encumbered in any manner.

9.4 Tax Withholding and Reporting. The Bank shall withhold any taxes that are required to be withheld, including but not limited to taxes owed under Code

Section 409A from the benefits provided under this Agreement. The Executive acknowledges that the Bank's sole liability regarding taxes is to forward any amounts withheld to the appropriate taxing authorities. The Bank shall satisfy all applicable reporting requirements, including those under Code Section 409A.

9.5 Applicable Law. The Agreement and all rights hereunder shall be governed by the laws of the State of South Carolina, except to the extent preempted by the laws of the United States of America.

9.6 Unfunded Arrangement. The Executive and the Beneficiary are general unsecured creditors of the Bank for the distribution of benefits under this Agreement. The benefits represent the mere promise by the Bank to distribute such benefits. The rights to benefits are not subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment by creditors. Any insurance on the Executive's life or other informal funding asset is a general asset of the Bank to which the Executive and Beneficiary have no preferred or secured claim.

9.7 Reorganization. The Bank shall not merge or consolidate into or with another bank, or reorganize, or sell substantially all of its assets to another bank, firm or person unless such succeeding or continuing bank, firm or person agrees to assume and discharge the obligations of the Bank under this Agreement. Upon the occurrence of such an event, the term "Bank" as used in this Agreement shall be deemed to refer to the successor or survivor entity.

9.8 Entire Agreement. This Agreement constitutes the entire agreement between the Bank and the Executive as to the subject matter hereof. No rights are granted to the Executive by virtue of this Agreement other than those specifically set forth herein.

9.9 Interpretation. Wherever the fulfillment of the intent and purpose of this Agreement requires and the context will permit, the use of the masculine gender includes the feminine and use of the singular includes the plural.

9.10 Alternative Action. In the event it shall become impossible for the Bank or the Plan Administrator to perform any act required by this Agreement due to regulatory or other constraints, the Bank or Plan Administrator may perform such alternative act as most nearly carries out the intent and purpose of this Agreement and is in the best interests of the Bank, provided that such alternative acts do not violate Code Section 409A of the Code.

9.11 Headings. Article and section headings are for convenient reference only and shall not control or affect the meaning or construction of any provision herein.

9.12 Validity. If any provision of this Agreement shall be illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but this Agreement shall be construed and enforced as if such illegal or invalid provision had never been inserted herein.

9.13 Notice. Any notice or filing required or permitted to be given to the Bank or Plan Administrator under this Agreement shall be sufficient if in writing and hand-delivered or sent by registered or certified mail to the address below:

Provident Community Bank, NA
203 West Main St

Union, SC 29379-2214

Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification.

Any notice or filing required or permitted to be given to the Executive under this Agreement shall be sufficient if in writing and hand-delivered or sent by mail to the last known address of the Executive.

9.14 Deduction Limitation on Benefit Payments. If the Bank reasonably anticipates that the Bank's deduction with respect to any distribution under this Agreement would be limited or eliminated by application of Code Section 162(m), then to the extent deemed necessary by the Bank to ensure that the entire amount of any distribution from this Agreement is deductible, the Bank may delay payment of any amount that would otherwise be distributed under this Agreement. The delayed amounts shall be distributed to the Executive (or the Beneficiary in the event of the Executive's death) at the earliest date the Bank reasonably anticipates that the deduction of the payment of the amount will not be limited or eliminated by application of Code Section 162(m).

9.15 Compliance with Code Section 409A. This Agreement shall be interpreted and administered consistent with Code Section 409A.

IN WITNESS WHEREOF, the Executive and a duly authorized representative of the Bank have signed this Agreement.

Executive:

BANK:

*Provident Community Bank, National
Association*

/s/ Lud Vaughn

By: /s/ Dwight V. Neese

Lud Vaughn

Title: President & CEO

Provident Community Bank, National Association Supplemental Executive Retirement Plan
Beneficiary Designation Form

- { } New Designation
- { } Change in Designation

I, Lud Vaughn, designate the following as Beneficiary under the Agreement:

Primary:

----- %

----- %

Contingent:

----- %

----- %

Notes:

- o Please PRINT CLEARLY or TYPE the names of the beneficiaries.
- o To name a trust as Beneficiary, please provide the name of the trustee(s) and the exact name and date of the trust agreement.
- o To name your estate as Beneficiary, please write "Estate of [your name]".
- o Be aware that none of the contingent beneficiaries will receive anything unless ALL of the primary beneficiaries predecease you.

I understand that I may change these beneficiary designations by delivering a new written designation to the Plan Administrator, which shall be effective only upon receipt and acknowledgment by the Plan Administrator prior to my death. I further understand that the designations will be automatically revoked if the Beneficiary predeceases me, or, if I have named my spouse as Beneficiary and our marriage is subsequently dissolved.

Name: Lud Vaughn

Signature: _____ Date: _____

Received by the Plan Administrator this _____ day of _____, 20____

By: _____

Title: _____

EXHIBIT 31 (a)**CERTIFICATION**

I, Dwight V. Neese, certify that:

1. I have reviewed this Form 10-Q of Provident Community Bancshares, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 13, 2007

/s/ Dwight V. Neese

 Dwight V. Neese
 President and Chief Executive Officer

EXHIBIT 31 (b)**CERTIFICATION**

I, Richard H. Flake, certify that:

1. I have reviewed this Form 10-Q of Provident Community Bancshares, Inc.;

2 Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 13, 2007

/s/ Richard H. Flake

Richard H. Flake
Executive Vice President and
Chief Financial Officer

EXHIBIT 32(a)

Chief Executive Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

CERTIFICATION PURSUANT TO

**18 U.S.C. SECTION 1350,
AS ADDED BY**

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Provident Community Bancshares, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2007 as filed with the Securities and Exchange Commission (the "Report"), I, Dwight V. Neese, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss.1350, as added by Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the period covered by the Report.

/s/ Dwight V. Neese

Dwight V. Neese

President and Chief Executive Officer

Date: August 13, 2007

EXHIBIT 32(b)

Chief Financial Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADDED BY**

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Provident Community Bancshares, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2007 as filed with the Securities and Exchange Commission (the "Report"), I, Richard H. Flake, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss.1350, as added by Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the period covered by the Report.

/s/ Richard H. Flake

Richard H. Flake
Executive Vice President and
Chief Financial Officer

Date: August 13, 2007