

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 EXCHANGE ACT OF 1934
SECURITIES

For the quarterly period ended September 30, 2008

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
(State or other Jurisdiction of
Incorporation or Organization)

57-1001177
(I.R.S. Employer
Identification No.)

2700 Celanese Road, Rock Hill, South Carolina 29732
(Address of Principal Executive Offices)

(8 03)-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 to be filed 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, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller Reporting Company

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 1,784,454 shares, \$0.01 par value, of common stock issued and outstanding as of November 5, 2008.

PROVIDENT COMMUNITY BANCSHARES, INC. AND SUBSIDIARIES

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Part 1. Financial Information
PROVIDENT COMMUNITY BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
September 30, 2008 and December 31, 2007

	September 30, 2008 (Unaudited)	December 31, 2007 (Audited)
	(DOLLARS IN THOUSANDS)	
ASSETS		
Cash and due from banks	\$ 9,123	\$ 11,890
Investment and mortgage-backed securities		
Held to maturity	2,430	3,126
Available for sale	<u>87,654</u>	<u>108,061</u>
Total investment and mortgage-backed securities	<u>90,084</u>	<u>111,187</u>
Loans, net	279,556	256,487
Office properties and equipment, net	5,010	5,145
Federal Home Loan Bank Stock, at cost	3,929	3,826
Federal Reserve Stock, at cost	599	599
Accrued interest receivable	1,778	2,625
Intangible assets	2,949	3,261
Cash surrender value of life insurance	9,475	9,175
Other assets	<u>3,779</u>	<u>3,446</u>
TOTAL ASSETS	<u>\$ 406,282</u>	<u>\$ 407,641</u>
LIABILITIES		
Deposits	\$ 273,547	\$ 270,399
Advances from the Federal Home Loan Bank	70,500	69,500
Securities sold under agreements to repurchase	20,771	24,131
Floating rate junior subordinated deferrable interest debentures	12,372	12,372
Accrued interest payable	653	742
Other liabilities	<u>1,964</u>	<u>3,184</u>
TOTAL LIABILITIES	<u>379,807</u>	<u>380,328</u>
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 - 1,784,454 shares at September 30, 2008 and 1,794,866 at December 31, 2007, respectively	20	20
Additional paid-in capital	12,873	12,781
Accumulated other comprehensive income (loss)	(770)	191
Retained earnings, substantially restricted	20,642	20,276
Treasury stock, at cost	<u>(6,290)</u>	<u>(5,955)</u>
TOTAL SHAREHOLDERS' EQUITY	<u>26,475</u>	<u>27,313</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 406,282</u>	<u>\$ 407,641</u>
See notes to consolidated financial statements.		

PROVIDENT COMMUNITY BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
Three and Nine Months Ended September 30, 2008 and 2007 (unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
	(DOLLARS IN THOUSANDS EXCEPT PER SHARE)			
Interest Income:				
Loans	\$ 4,240	\$ 4,793	\$ 13,240	\$ 14,373
Deposits and federal funds sold	23	28	45	110
Mortgage-backed securities	618	355	1,981	951
Interest and dividends on investment securities	652	1,398	2,142	4,020
Total Interest Income	5,533	6,574	17,408	19,454
Interest Expense:				
Deposit accounts	2,104	2,469	6,784	7,254
Floating rate junior subordinated deferrable interest debentures	169	227	554	673
Advances from the FHLB and other borrowings	864	1,165	2,708	3,332
Total Interest Expense	3,137	3,861	10,046	11,259
Net Interest Income	2,396	2,713	7,362	8,195
Provision for loan losses	615	20	1,290	265
Net Interest Income After Provision for Loan Losses	1,781	2,693	6,072	7,930
Non-Interest Income:				
Fees for financial services	823	760	2,330	2,253
Other fees, net	21	23	70	66
Net gain (loss) on sale of investments	218	(1)	396	(2)
Total Non-Interest Income	1,062	782	2,796	2,317
Non-Interest Expense:				
Compensation and employee benefits	1,127	1,313	3,728	3,776
Occupancy and equipment	618	609	1,875	1,902
Deposit insurance premiums	30	8	45	22
Professional services	79	90	282	316
Advertising and public relations	44	36	186	203
Loan operations	38	48	104	116
Intangible amortization	104	104	312	375
Items processing	71	53	187	164
Telephone	56	47	151	139
Other	289	197	658	644
Total Non-Interest Expense	2,456	2,505	7,528	7,657
Income Before Income Taxes	387	970	1,340	2,590
Income tax expense	81	243	298	613
Net Income	\$ 306	\$ 727	\$ 1,042	\$ 1,977
Basic Net Income Per Common Share	\$ 0.17	\$ 0.40	\$ 0.58	\$ 1.09
Diluted Net Income Per Common Share	\$ 0.17	\$ 0.40	\$ 0.58	\$ 1.07
Dividend Per Common Share	\$ 0.115	\$ 0.115	\$ 0.345	\$ 0.34
Weighted Average Number of Common Shares Outstanding				
Basic	1,784,549	1,801,405	1,783,810	1,816,085
Diluted	1,786,274	1,839,097	1,791,424	1,852,923

See notes to consolidated financial statements.

PROVIDENT COMMUNITY BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Nine Months Ended September 30, 2008 and 2007 (unaudited)

Nine Months Ended
September 30, 2008 **September 30,**
2007
(IN THOUSANDS)

OPERATING ACTIVITIES:

Net income	\$	1,042	\$	1,977
Adjustments to reconcile net income to net cash provided by operating activities:				
Provision for loan losses		1,290		265
Amortization of intangibles		312		376
Depreciation expense		501		485
Recognition of deferred income, net of costs		(366)		(401)
Deferral of fee income, net of costs		303		486
Stock compensation expense		--		34
(Gain) loss on investment transactions		(396)		2
Loss on writedown of fixed asset		--		135
Changes in operating assets and liabilities:				
(Increase)decrease in accrued interest receivable		847		(86)
Increase in cash surrender value of life insurance		(300)		(255)
Increase in other assets		(339)		(276)
Increase (decrease) in other liabilities		(1,220)		212
Increase(decrease) in accrued interest payable		(89)		1
		<u>1,585</u>		<u>2,955</u>
Net cash provided by operating activities				

INVESTING ACTIVITIES:

Purchase of investment and mortgage-backed securities:				
Available for sale		(44,702)		(50,701)
Proceeds from sale of investment and mortgage-backed securities available for sale		22,676		8,840
Proceeds from maturity of investment and mortgage-backed securities:				
Available for sale		35,328		26,208
Held to maturity		696		52
Purchase of bank owned life insurance		--		(3,200)
Principal repayments on mortgage-backed securities:				
Available for sale		6,546		3,661
Net increase in loans		(24,296)		(10,427)
Purchase of FHLB stock		(103)		(541)
Purchase of office properties and equipment		(366)		(306)
		<u>(4,221)</u>		<u>(26,414)</u>
Net cash used by investing activities				

FINANCING ACTIVITIES:

Proceeds from the dividend reinvestment plan		90		87
Dividends paid in cash		(616)		(619)
Proceeds from the exercise of stock options		2		150
Split dollar post retirement liability recapitalization		(60)		--
Share repurchase program		(335)		(986)
Increase in term borrowings		1,000		15,250
Decrease in other borrowings		(3,360)		(3,506)
Increase in deposit accounts		3,148		14,676
		<u>(131)</u>		<u>25,052</u>
Net cash (used) provided by financing activities				

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

(2,767) 1,593

CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>11,890</u>	<u>9,124</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 9,123</u>	<u>\$ 10,717</u>

SUPPLEMENTAL DISCLOSURES:

Cash paid for:		
Income taxes	\$ 331	\$ 977
Interest	10,135	11,258
Non-cash transactions:		
Loans foreclosed	\$ 50	--

See notes to consolidated financial statements.

PROVIDENT COMMUNITY BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME (LOSS)
Nine Months Ended September 30, 2008 and 2007 (unaudited)

	Common Shares	Stock Amount	Additional Paid-in Capital	Retained Earnings, Substantially Restricted	Accumulated Other Comprehensive Income (loss)	Treasury Stock at Cost	Share E
<i>(Dollars in Thousands, Except Share Data)</i>							
BALANCE AT DECEMBER 31, 2006	1,830,528	\$ 20	\$ 12,506	\$ 18,912	\$ (610)	\$ (4,861)	
Net income				1,977			
Other comprehensive income, net of tax on unrealized holding gains on securities available for sale arising during period					208		
Less reclassification adjustment for losses included in net income					--		
Comprehensive income							
Stock option activity, net	9,172		150				
Dividend reinvestment plan contributions	4,324		87				
Share repurchase program	(47,504)					(986)	
Cash dividend (\$0.34 per share)				(619)			
BALANCE AT SEPTEMBER 30, 2007	1,796,520	\$ 20	\$ 12,743	\$ 20,270	\$ (402)	\$ (5,847)	
BALANCE AT DECEMBER 31, 2007	1,794,866	\$ 20	\$ 12,781	\$ 20,276	\$ 191	\$ (5,955)	
Net income				1,042			
Other comprehensive loss, net of tax on unrealized holding losses on securities available for sale arising during period					(1,269)		
Less reclassification adjustment for gains included in net income					308		
Comprehensive income							
Stock option activity, net	1,424		2				
Dividend reinvestment plan contributions	6,784		90				
Cumulative effect of change in accounting principal				(60)			
Share repurchase program	(18,620)					(335)	
Cash dividend (\$.345 per share)				(616)			
BALANCE AT SEPTEMBER 30, 2008	1,784,454	\$ 20	\$ 12,873	\$ 20,642	\$ (770)	\$ (6,290)	

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 nine months ended September 30, 2008 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 may affect accounting, reporting, and disclosure of financial information by the Corporation:

In December 2007, the FASB issued SFAS No. 141(R), "Business Combinations," ("SFAS 141(R)") which replaces SFAS 141. SFAS 141(R) establishes principles and requirements for how an acquirer in a business combination recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any controlling interest; recognizes and measures goodwill acquired in the business combination or a gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS 141(R) is effective for acquisitions by the Corporation taking place on or after January 1, 2009. Early adoption is prohibited. Accordingly, a calendar year-end company is required to record and disclose business combinations following existing accounting guidance until January 1, 2009. The Corporation will assess the impact of SFAS 141(R) if and when a future acquisition occurs.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51" ("SFAS 160"). SFAS 160 establishes new accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. Before this statement, limited guidance existed for reporting noncontrolling interests (minority interest). As a result, diversity in practice exists. In some cases minority interest is reported as a liability and in others it is reported in the mezzanine section between liabilities and equity. Specifically, SFAS 160 requires the recognition of a noncontrolling interest (minority interest) as equity in the consolidated financial statements and separate from the parent's equity. The amount of net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement. SFAS 160 clarifies that changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation are equity transactions if the parent retains its controlling financial interest. In addition, this statement requires that a parent recognize gain or loss in net income when a subsidiary is deconsolidated. Such gain or loss will be measured using the fair value of the noncontrolling equity investment on the deconsolidation date. SFAS 160 also includes expanded disclosure requirements regarding the interests of the parent and its noncontrolling interests. SFAS 160 is effective for the Corporation on January 1, 2009. Earlier adoption is prohibited. The Corporation is currently evaluating the impact, if any, the adoption of SFAS 160 will have on its financial position, results of operations and cash flows.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities" ("SFAS 161"). SFAS 161 requires enhanced disclosures about an entity's derivative and hedging activities and thereby improving the transparency of financial reporting. It is intended to enhance the current disclosure framework in SFAS 133 by requiring that objectives for using derivative instruments be disclosed in terms of underlying risk and accounting designation. This disclosure better conveys the purpose of derivative use in terms of the risks that the entity is intending to manage. SFAS 161 is effective for the Corporation on January 1, 2009. This pronouncement does not impact accounting measurements but will result in additional disclosures if the Corporation is involved in material derivative and hedging activities at that time.

In February 2008, the FASB issued FASB Staff Position No. 140-3, "Accounting for Transfers of Financial Assets and Repurchase Financing Transactions" ("FSP 140-3"). This FSP provides guidance on accounting for a transfer of a financial asset and the transferor's repurchase financing of the asset. This FSP presumes that an initial transfer of a financial asset and a repurchase financing are considered part of the same arrangement (linked transaction) under SFAS No. 140. However, if certain criteria are met, the initial transfer and repurchase financing are not evaluated as a linked transaction and are evaluated separately under Statement 140. FSP 140-3 will be effective for financial statements issued for fiscal years beginning after November 15, 2008, and interim periods within those fiscal years and earlier application is not permitted. Accordingly, this FSP is effective for the Corporation on January 1, 2009. The Corporation is currently evaluating the impact, if any, the adoption of FSP 140-3 will have on its financial position, results of operations and cash flows.

In April 2008, the FASB issued FASB Staff Position No. 142-3, "Determination of the Useful Life of Intangible Assets" ("FSP 142-3"). This FSP amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, "Goodwill and Other Intangible Assets". The intent of this FSP is to improve the consistency between the useful life of a recognized intangible asset under SFAS No. 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS No. 141(R), "Business Combinations," and other U.S. generally accepted accounting principles. This FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years and early adoption is prohibited. Accordingly, this FSP is effective for the Corporation on January 1, 2009. The Corporation does not believe the adoption of FSP 142-3 will have a material impact on its financial position, results of operations or cash flows.

In May, 2008, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 162, "The Hierarchy of Generally Accepted Accounting Principles," ("SFAS No. 162"). SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles (GAAP) in the United States (the GAAP hierarchy). SFAS No. 162 will be effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board's amendments to AU Section 411, "*The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles.*" The FASB has stated that it does not expect SFAS No. 162 will result in a change in current practice. The application of SFAS No. 162 will have no effect on the Corporation's financial position, results of operations or cash flows.

FSP SFAS 133-1 and FIN 45-4, "Disclosures about Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FASB Statement No. 161," ("FSP SFAS 133-1 and FIN 45-4") was issued September 2008, effective for reporting periods (annual or interim) ending after November 15, 2008. FSP SFAS 133-1 and FIN 45-4 amends SFAS 133 to require the seller of credit derivatives to disclose the nature of the credit derivative, the maximum potential amount of future payments, fair value of the derivative, and the nature of any recourse

provisions. Disclosures must be made for entire hybrid instruments that have embedded credit derivatives.

The staff position also amends FIN 45 to require disclosure of the current status of the payment/performance risk of the credit derivative guarantee. If an entity utilizes internal groupings as a basis for the risk, how the groupings are determined must be disclosed as well as how the risk is managed.

The staff position encourages that the amendments be applied in periods earlier than the effective date to facilitate comparisons at initial adoption. After initial adoption, comparative disclosures are required only for subsequent periods.

FSP SFAS 133-1 and FIN 45-4 clarifies the effective date of SFAS 161 such that required disclosures should be provided for any reporting period (annual or quarterly interim) beginning after November 15, 2008. The adoption of this Staff Position will have no material effect on the Corporation's financial position, results of operations or cash flows.

The SEC's Office of the Chief Accountant and the staff of the FASB issued press release 2008-234 on September 30, 2008 ("Press Release") to provide clarifications on fair value accounting. The press release includes guidance on the use of management's internal assumptions and the use of "market" quotes. It also reiterates the factors in SEC Staff Accounting Bulletin ("SAB") Topic 5M which should be considered when determining other-than-temporary impairment: the length of time and extent to which the market value has been less than cost; financial condition and near-term prospects of the issuer; and the intent and ability of the holder to retain its investment for a period of time sufficient to allow for any anticipated recovery in market value.

On October 10, 2008, the FASB issued FSP SFAS 157-3, "Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active" ("FSP SFAS 157-3"). This FSP clarifies the application of SFAS No. 157, "Fair Value Measurements" in a market that is not active and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that asset is not active. The FSP is effective upon issuance, including prior periods for which financial statements have not been issued. For the Company, this FSP is effective for the quarter ended September 30, 2008.

The Company considered the guidance in the Press Release and in FSP SFAS 157-3 when conducting its review for other-than-temporary impairment as of September 30, 2008 and determined that it did not result in a change to its impairment estimation techniques.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies are not expected to have a material impact on the Corporation's financial position, results of operations or cash flows.

2. Income Per Share

Basic income per share amounts for the three and nine months ended September 30, 2008 and 2007 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 nine months ended September 30, 2008 and 2007 were 7,614 and 36,838, respectively. Anti-dilutive common stock equivalents that were excluded in the diluted earnings per share calculation for the nine months ended September 30, 2008 and 2007 were 85,157 and 0 respectively.

3. Assets Pledged

Approximately \$71,818,000 and \$74,088,000 of marketable debt securities at September 30, 2008 and December 31, 2007, 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 September 30, 2008 related to these items is summarized below:

Loan Commitments :	<u>Contract Amount</u>
Approved loan commitments	\$ 1,140,940
Unadvanced portions of loans and credit lines	<u>56,861,000</u>
Total loan commitments	<u>\$ 58,001,940</u>

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 September 30, 2008 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 \$144,900,000 at September 30, 2008. Of these lines, the outstanding loan balances totaled approximately \$88,071,000.

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 fixed/floating 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 issued on December 18, 2001. 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 March 1, 2037, which constitute the sole asset of the Capital Trust II. 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.

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

Name	Amount Outstanding at September 30,		Rate	Prepayment Option Date	Maturity	Distribution Payment Frequency
	2008	2007				
Provident Community Bancshares Capital Trust I	4,000,000	4,000,000	7.39%	October 1, 2011	October 1, 2036	Quarterly
Provident Community Bancshares Capital Trust II	8,000,000	8,000,000	4.55%	March 1, 2012	March 1, 2037	Quarterly
Total	\$12,000,000	\$12,000,000				

6. Fair Value Measurements

Effective January 1, 2008, the Corporation adopted SFAS No. 157, "Fair Value Measurements" ("SFAS 157") which provides a framework for measuring and disclosing fair value under generally accepted accounting principles. SFAS 157 requires disclosures about the fair value of assets and liabilities recognized in the balance sheet in periods subsequent to initial recognition, whether the measurements are made on a recurring basis (for example, available-for-sale investment securities) or on a nonrecurring basis (for example, impaired loans).

SFAS 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly

transaction between market participants on the measurement date. SFAS 157 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market, as well as U.S. Treasuries and money market funds.

Level 2 Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments, mortgage-backed securities, municipal bonds, corporate debt securities and derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes certain derivative contracts and impaired loans.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. For example, this category generally includes certain private equity investments, retained residual interests in securitizations, residential mortgage servicing rights, and highly-structured or long-term derivative contracts.

Assets and liabilities measured at fair value on a recurring basis at September 30, 2008 are as follows:

		Quoted Market Price in active markets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)
Available for Sale Securities	\$	76,381,000	\$	\$11,273,000	\$	--

Available-for-sale investment securities are the only assets whose fair values are measured on a recurring basis using Level 1 inputs (active market quotes). The Corporation has no liabilities carried at fair value or measured at fair value on a nonrecurring basis.

The Corporation is predominantly an asset based lender with real estate serving as collateral on a substantial majority of loans. Loans which are deemed to be impaired are primarily valued at the fair values of the underlying real estate collateral. Such fair values are obtained using independent appraisals, which the Corporation considers to be level 2 inputs. The aggregate carrying amount of impaired loans at September 30, 2008 was \$1,452,000.

Goodwill and other intangible assets measured at fair value on a nonrecurring basis relate to intangible assets (deposit premium intangible) that were acquired in connection with acquisitions and were valued at their fair

market values at the time of acquisition using level 3 inputs. FASB Staff Position No. FAS 157-2 delays the measurement of Goodwill and other intangible assets measured at fair value on a nonrecurring basis until the first quarter of 2009.

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. 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 laws and regulations. The Corporation provides greater detail regarding some of these factors in its Form 10-K for the year ended December 31, 2007, 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 decreased \$1,359,000, or 0.33%, to \$406,282,000 at September 30, 2008 from \$407,641,000 at December 31, 2007. Investments and mortgage-backed securities decreased \$21,103,000, or 18.98%, from December 31, 2007 to September 30, 2008, as proceeds from the maturity and sale of investment securities were utilized to fund growth in higher-yielding loans. Net loans increased \$23,069,000, or 8.99%, from December 31, 2007 to September 30, 2008, due primarily to growth in commercial real estate and consumer loans partially offset by reductions in residential mortgage and commercial business loans.

Investment and Mortgage-backed Securities

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

	<u>September 30, 2008</u>		<u>December 31, 2007</u>	
	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Amortized Cost</u>	<u>Fair Value</u>
Municipal Securities	<u>\$ 2,430</u>	<u>\$ 2,292</u>	<u>\$ 3,126</u>	<u>\$ 3,135</u>

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

	<u>September 30, 2008</u>		<u>December 31, 2007</u>	
	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Amortized Cost</u>	<u>Fair Value</u>
Investment Securities:				
U.S. Agency Obligations	\$ 12,466	\$ 12,307	\$ 507	\$ 488
Government Sponsored Enterprises	5,000	4,952	40,457	40,665
Municipal Securities	6,136	6,311	9,296	9,601
Other	12,344	11,273	12,458	12,093
Total Investment Securities	<u>35,946</u>	<u>34,843</u>	<u>62,718</u>	<u>62,847</u>
Mortgage-backed Securities:				
Fannie Mae	38,050	37,853	27,511	27,479
Ginnie Mae	13,345	13,491	1,187	1,200
Freddie Mac	665	663	12,860	13,080
Collateralized Mortgage Obligations	832	804	3,492	3,455
Total Mortgage-backed Securities	<u>52,892</u>	<u>52,811</u>	<u>45,050</u>	<u>45,214</u>
Total Available for Sale	<u>\$ 88,838</u>	<u>\$ 87,654</u>	<u>\$ 107,768</u>	<u>\$ 108,061</u>

Loans

Loans increased to \$279,556,000 at September 30, 2008 compared to \$256,487,000 at December 31, 2007. The Corporation continues to focus on growth of higher yielding consumer loans and specific commercial lending products that minimizes concentration risk to the loan portfolio.

Loans receivable consisted of the following (in thousands):

	September 30, 2008	December 31, 2007
Mortgage loans:		
Fixed rate residential	\$ 13,499	\$ 16,214
Adjustable-rate residential	7,817	8,775
Commercial real estate	103,160	76,864
Construction	5,057	4,764
Total mortgage loans	<u>129,533</u>	<u>106,617</u>
Commercial loans:		
Commercial non-real estate	28,384	32,091
Commercial lines of credit	70,417	72,170
Total commercial loans	<u>98,801</u>	<u>104,261</u>
Consumer loans:		
Home equity	17,321	15,185
Consumer and installment	40,500	36,315
Consumer lines of credit	333	346
Total consumer loans	<u>58,154</u>	<u>51,846</u>
Total loans	<u>286,488</u>	<u>262,724</u>
Less:		
Undisbursed portion of interim construction loans	(2,371)	(2,379)
Unamortized loan discount	(404)	(476)
Allowance for loan losses	(4,185)	(3,344)
Net deferred loan origination costs	28	(38)
Total, net	<u>\$ 279,556</u>	<u>\$ 256,487</u>
Weighted-average interest rate of loans	6.14%	7.56%

Liabilities

Total liabilities decreased \$521,000 to \$379,807,000 at September 30, 2008 from \$380,328,000 at December 31, 2007. Deposits increased \$3,148,000, or 1.16%, to \$273,547,000 at September 30, 2008 from \$270,399,000 at December 31, 2007. The overall growth includes an \$8,390,000 increase in transaction accounts as a result of a special product promotion, while certificate accounts decreased \$4,330,000. The Corporation continues to target lower-cost demand deposit accounts through media advertising and special product promotions.

Deposit accounts were as follows (in thousands):

Account Type	September 30, 2008			December 31, 2007		
	Rate	Balance	Rate	Rate	Balance	Rate
NOW accounts:						
Commercial non-interest-bearing	--	\$ 15,656	5.72%	--	\$ 16,568	6.13%
Non-commercial	2.58%	66,564	24.33%	2.14%	56,282	20.81%
Money market checking accounts	2.48%	21,174	7.74%	4.44%	23,160	8.57%
Regular savings	0.62%	12,888	4.72%	0.79%	12,794	4.73%
Total demand and savings deposits	1.99%	<u>116,282</u>	42.51%	2.47%	<u>108,804</u>	40.24%
Time deposits:						
Up to 3.00%		37,289	13.63%		5,768	2.13%
3.01 %- 4.00%		46,380	16.96%		26,265	9.71%
4.01 %- 5.00%		54,982	20.10%		34,988	12.94%
5.01 %- 6.00%		18,586	6.79%		94,548	34.97%
6.01 %- 7.00%		28	0.01%		26	0.01%
Total time deposits	3.75%	<u>157,265</u>	57.49%	4.67%	<u>161,595</u>	59.76%
Total deposit accounts	3.01%	<u>\$ 273,547</u>	100.00%	3.78%	<u>\$ 270,399</u>	100.00%

At September 30, 2008 and December 31, 2007, the Bank had \$70,500,000 and \$69,500,000, respectively, of advances outstanding from the FHLB. The maturity of the advances from the FHLB is as follows (in thousands):

Contractual Maturity:	September 30, 2008		December 31, 2007	
	Balance	Wtd Avg Rate	Balance	Wtd Avg Rate
Within one year - adjustable rate	\$ 6,000	3.00%	\$ 5,000	4.88%
After one but within three years - fixed rate	5,000	4.93%	5,000	4.93%
After one but within three years - adjustable rate	--	-- %	7,500	5.30%
After three but within five years - adjustable rate	22,000	4.58%	28,000	4.61%
Greater than five years - adjustable rate	<u>37,500</u>	3.89%	<u>24,000</u>	4.10%
Total advances	<u>\$ 70,500</u>	4.10%	<u>\$ 69,500</u>	4.55%

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 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") increased \$1,000,000, or 1.44%, to \$70,500,000 at September 30, 2008 from \$69,500,000 at December 31, 2007. Securities sold under agreement to repurchase decreased \$3,360,000 to \$20,771,000 at September 30, 2008 from \$24,131,000 at December 31, 2007. Excess funds from deposit growth, the sale and maturation of securities and, to a lesser extent, new borrowings from the Federal Home Loan Bank were used to pay down borrowings.

Shareholders' Equity

Shareholders' equity decreased \$838,000, or 3.07%, to \$26,475,000 at September 30, 2008 from \$27,313,000 at December 31, 2007 due primarily to the repurchase of 18,620 shares at a cost of \$335,000, dividend payments of \$0.345 per share at a cost of \$616,000, and a \$961,000 increase in unrealized losses on securities available for sale, offset by net income of \$1,042,000.

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 FHLB advances.

At September 30, 2008, the Corporation's investment in marketable securities totaled \$90,084,000, nearly all of which is available for sale. Approximately \$71,818,000 and \$74,088,000 of debt securities at September 30, 2008 and December 31, 2007, 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 \$144,900,000 at September 30, 2008. 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. Time deposits that are scheduled to mature in one year or less from September 30, 2008, totaled \$115,130,000. 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 September 30, 2008, the Corporation had outstanding \$70,500,000 of FHLB borrowings and \$20,771,000 of securities sold under agreements to repurchase. At September 30, 2008, the Corporation had unused short-term lines of credit to purchase federal funds from unrelated banks totaling \$12,000,000 and the ability to borrow an additional \$35,000,000 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 September 30, 2008, that the Bank and the Corporation met the capital adequacy requirements to which they are subject.

As of September 30, 2008, 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).

	September 30, 2008					
	Actual		Regulatory Minimum		"Well Capitalized"	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	\$	%	\$	%	\$	%
Leverage ratio						
Corporation	33,521	8.26%	16,230	4.00%	n/a	n/a
Bank	36,000	8.88%	16,216	4.00%	20,270	5.00%
Tier 1 capital ratio						
Corporation	33,521	10.83%	12,369	4.00%	n/a	n/a
Bank	36,000	11.64%	12,369	4.00%	18,553	6.00%
Total risk-based capital ratio						
Corporation	40,626	13.12%	24,737	8.00%	n/a	n/a
Bank	40,186	13.00%	24,737	8.00%	30,921	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 nine months ended September 30, 2008, the Corporation repurchased 18,620 shares. As of September 30, 2008, the Corporation had repurchased a total of 347,880 shares and had 37,120 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 \$144,900,000 at September 30, 2008. 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 September 30, 2008, 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 September 30, 2008 and 2007

General

Net income decreased \$421,000, or 57.91%, to \$306,000 for the three months ended September 30, 2008 as compared to \$727,000 for the same period in 2007. The decrease in net income for the period was due primarily to a compression of the net interest margin caused by declining interest rates along with an increase in the provision for loan losses due to loan growth and the increase in non-performing loans and charge-offs, offset by an increase in non-interest income and a reduction in non-interest expense.

Average Yields and Rates
(dollars in thousands)

	Three Months Ended September 30,					
	2008			2007		
	Average Balance	Interest	Average Yield/Cost	Average Balance	Interest	Average Yield/Cost
Interest-earning assets:						
Loans (1)	\$ 276,411	\$ 4,240	6.14%	\$ 239,372	\$ 4,793	8.01%
Mortgage-backed securities	45,984	618	5.38%	29,365	355	4.84%
Investment securities	42,431	608	5.73%	95,016	1,330	5.60%
Other interest-earning assets	9,642	67	2.75%	6,771	96	5.67%
		5,				
Total interest-earning assets	374,468	533	5.91%	370,524	6,574	7.10%
Non-interest-earning assets	33,974			31,146		
Total assets	<u>\$ 408,442</u>			<u>\$ 401,670</u>		
Interest-bearing liabilities:						
Deposits	274,376	2,104	3.07%	261,025	2,469	3.78%
Floating rate junior subordinated deferrable interest debentures	12,372	169	5.48%	12,372	227	7.34%
FHLB advances and other borrowings	91,577	864	3.77%	98,527	1,165	4.73%
Total interest-bearing liabilities	378,325	3,137	3.32%	371,924	3,861	4.15%
Non-interest-bearing liabilities	3,098			3,404		
Total liabilities	381,423			375,328		
Shareholders' equity	27,019			26,342		
Total liabilities and shareholders' equity	<u>\$ 408,442</u>			<u>\$ 401,670</u>		
Net interest income/spread		<u>\$2,396</u>	2.59%		<u>\$2,713</u>	2.94%
Net yield on earning assets			2.56%			2.93%

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

Interest Income

Interest income decreased \$1,041,000, or 15.84%, to \$5,533,000 for the three months ended September 30, 2008 as compared to the same period in 2007. Interest income on loans decreased by 11.54%, or \$553,000, to \$4,240,000 for the three months ended September 30, 2008 from \$4,793,000 for the three months ended September 30, 2007, due to declining market interest rates, offset by higher average balance of loans. Interest on deposits and federal funds sold, combined with interest and dividends on investment and mortgage-backed securities decreased \$488,000 for the three months ended September 30, 2008 to \$1,293,000 from \$1,781,000 during the same period in 2007 due to lower average balances, offset by higher investment yields as a result of a higher concentration of mortgage-backed securities.

Interest Expense

Interest expense decreased \$724,000, or 18.75%, to \$3,137,000 for the three months ended September 30, 2008 as compared to the three months ended September 30, 2007. Interest expense on deposit accounts decreased \$365,000, or 14.78%, to \$2,104,000 for the three months ended September 30, 2008 from \$2,469,000 during the same period in 2007 due primarily to lower market interest rates and a shift in the composition of the deposit portfolio from certificates of deposits to transaction accounts, offset by higher average balances. 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 decreased \$301,000, or 25.84%, for the three months ended September 30, 2008 as compared to the same period in the previous year due to lower market interest rates and, to a lesser extent, lower average balances. Interest expense on floating rate junior subordinated deferrable interest debentures decreased \$58,000, or 25.55%, to \$169,000 for the three months ended September 30, 2008 from \$227,000 during the same period in 2007 due to lower market rates.

Provision for Loan Losses

During the three months ended September 30, 2008, the provision for loan losses was \$615,000 as compared to \$20,000 for the same period in the previous year due to an increase in nonperforming loans and loans charged-off and 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. During the three months ended September 30, 2008, bad debt charge-offs, net of recoveries, were \$203,000 as compared to \$6,000 for the same period in the previous year. The increase in bad debt charge-offs over the previous year relates to additional write-downs required in the disposition of commercial loans during the three months ended September 30, 2008. Real estate acquired in foreclosure and nonperforming loans increased \$8,132,000 from \$3,394,000 at September 30, 2007 to \$11,526,000 at September 30, 2008. The increase in nonperforming loans over the previous year related primarily to four commercial real estate relationships that have been affected by the downturn in the residential housing market. Slow housing conditions have affected these borrowers' ability to sell the completed projects in a timely manner. Specific reserves for nonperforming loans at September 30, 2008 were \$1,309,000 compared to \$252,000 for nonperforming loans at September 30, 2007. Management believes the specific reserves allocated to these and other non accrual loans will offset losses, if any, arising from less than full recovery of the loans from the supporting collateral. Management continues to evaluate and assess all nonperforming assets on a regular basis as part of its well-established loan monitoring and review process.

Non-Interest Income

Total non-interest income increased \$280,000, or 35.81%, to \$1,062,000 for the three months ended September 30, 2008 from \$782,000 for the same period in the previous year, primarily due to a gain in the sale of securities, along with an increase in fees for financial services. During the quarter ended September 30, 2008 the Corporation sold approximately \$15.8 million in investment securities at a gain of \$218,000 to fund growth in higher-yielding loans. Fees from financial services increased \$63,000, or 8.29%, to \$823,000 for the three months ended September 30, 2008 from \$760,000 for the same period in the previous year as a result of an increase in transaction accounts.

Non-Interest Expense

For the three months ended September 30, 2008, total non-interest expense decreased \$49,000, or 1.96%, to \$2,456,000 from \$2,505,000 for the same period in 2007. Compensation and employee benefits decreased \$186,000, or 14.17%, to \$1,127,000 for the three months ended September 30, 2008 from \$1,313,000 for the same

period in 2007 due primarily to reductions in accrued incentive compensation expense and reductions in employee pension benefits costs, offset by higher compensation costs from normal merit salary increases. Deposit insurance premiums expense increased \$22,000, or 275.00%, to \$30,000 for the three months ended September 30, 2008 from \$8,000 for the same period in 2007, due to higher FDIC premium assessments as a result of a one-time assessment credit under the Federal Insurance Reform Act becoming fully amortized. Professional services expense decreased \$11,000, or 12.22%, to \$79,000 for the three months ended September 30, 2008 from \$90,000 for the same period in 2007, due to lower legal expenses. Advertising/public relations expense increased \$8,000, or 22.22%, to \$44,000 for the three months ended September 30, 2008 from \$36,000 for the same period in 2007 due primarily to higher deposit product and promotion expenses. Loan operations expense decreased \$10,000, or 20.83%, to \$38,000 for the three months ended September 30, 2008 from \$48,000 for the same period in 2007, due primarily to lower costs associated with loan foreclosures. Items processing expense increased \$18,000, or 33.96%, to \$71,000 for the three months ended September 30, 2008 from \$53,000 for the same period in 2007, due primarily to an increase in transaction accounts. Other expense increased \$92,000, or 46.70%, to \$289,000 for the three months ended September 30, 2008 from \$197,000 for the same period in 2007, due primarily to higher costs associated with deposit account charge-offs and higher printing and postage costs.

Results of operations for the nine months ended September 30, 200 8 and 200 7

General

Net income decreased \$935,000, or 47.29%, to \$1,042,000 for the nine months ended September 30, 2008 as compared to \$1,977,000 for the same period in 2007. The decrease in net income for the period was due primarily to a compression of the net interest margin caused by declining interest rates along with an increase in the provision for loan losses due to loan growth and the increase in non-performing loans and charge-offs, offset by an increase in non-interest income and a reduction in non-interest expense.

Average Yields and Rates
(dollars in thousands)

	Nine Months Ended September 30,					
	2008			2007		
	Average Balance	Interest	Average Yield/Cost	Average Balance	Interest	Average Yield/Cost
Interest-earning assets:						
Loans (1)	\$ 272,961	\$ 13,240	6.47%	\$ 237,503	\$ 14,373	8.07%
Mortgage-backed securities	49,630	1,981	5.32%	26,895	951	4.71%
Investment securities	46,879	1,943	5.53%	94,421	3,833	5.41%
Other interest-earning assets	7,282	244	4.45%	7,140	297	5.55%
Total interest-earning assets	<u>376,752</u>	<u>17,408</u>	<u>6.16%</u>	<u>365,959</u>	<u>19,454</u>	<u>7.09%</u>
Non-interest-earning assets	<u>32,502</u>			<u>30,361</u>		
	409,			396,		
Total assets	<u>\$ 254</u>			<u>\$ 320</u>		
Interest-bearing liabilities:						
Deposits	273,193	6,784	3.31%	260,728	7,254	3.71%
Floating rate junior subordinated deferrable interest debentures	12,372	554	5.96%	12,372	673	7.25%
FHLB advances and other borrowings	93,348	2,708	3.87%	93,709	3,332	4.74%
Total interest-bearing liabilities	<u>378,913</u>	<u>10,046</u>	<u>3.54%</u>	<u>366,809</u>	<u>11,259</u>	<u>4.09%</u>
Non-interest-bearing liabilities	<u>3,001</u>			<u>2,963</u>		
Total liabilities	<u>381,914</u>			<u>369,772</u>		
Shareholders' equity	<u>27,340</u>			<u>26,548</u>		
	409,			396,		
Total liabilities and shareholders' equity	<u>\$ 254</u>			<u>\$ 320</u>		
Net interest income/spread		<u>\$ 7,362</u>	2.63%		<u>\$ 8,195</u>	3.00%
Net yield on earning assets			2.61%			2.99%

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

Interest Income

Interest income decreased \$2,046,000, or 10.52%, to \$17,408,000 for the nine months ended September 30, 2008 as compared to the same period in 2007. Interest income on loans decreased by 7.88%, or \$1,133,000, to \$13,240,000 for the nine months ended September 30, 2008 from \$14,373,000 for the nine months ended September 30, 2007, due to declining market interest rates, offset by higher average balance of loans. Interest on deposits and federal funds sold, combined with interest and dividends on investment and mortgage-backed securities decreased \$913,000 for the nine months ended September 30, 2008 to \$4,168,000 from \$5,081,000 during the same period in 2007 due to lower average balances, offset by higher investment yields as a result of a higher concentration of mortgage-backed securities.

Interest Expense

Interest expense decreased \$1,213,000, or 10.77%, to \$10,046,000 for the nine months ended September 30, 2008 as compared to the nine months ended September 30, 2007. Interest expense on deposit accounts decreased \$470,000, or 6.48%, to \$6,784,000 for the nine months ended September 30, 2008 from \$7,254,000 during the same period in 2007 due primarily to lower market interest rates and a shift in the composition of the deposit portfolio from certificates of deposit to transaction accounts, offset by higher average balances. 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 decreased \$624,000, or 18.73%, for the nine months ended September 30, 2008 as compared to the same period in the previous year due to lower market interest rates. Interest expense on floating rate junior subordinated deferrable interest debentures decreased \$119,000, or 17.68%, to \$554,000 for the nine months ended September 30, 2008 from \$673,000 during the same period in 2007 due to lower market rates.

Provision for Loan Losses

During the nine months ended September 30, 2008, the provision for loan losses was \$1,290,000 as compared to \$265,000 for the same period in the previous year due to an increase in nonperforming loans and loans charged-off and 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 real estate loans. Consumer and commercial loans carry higher risk weighted rates in the reserve calculation as compared to residential mortgage loans. During the nine months ended September 30, 2008, bad debt charge-offs, net of recoveries, was \$449,000 as compared to \$64,000 for the same period in the previous year. The increase in bad debt charge-offs over the previous year relates to additional write-downs required in the disposition of commercial loans during the nine months ended September 30, 2008. The Corporation's loan loss allowance at September 30, 2008 was approximately 1.47% of the Corporation's outstanding loan portfolio and 36.30% of non-performing loans compared to 1.28% of the Corporation's outstanding loan portfolio and 88.37% of non-performing loans at December 31, 2007.

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

Balance at beginning of period	\$ 3,344
Provision for loan losses	1,290
Charge-offs, net	(449)
Balance at end of period	<u>\$ 4,185</u>

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

	<u>September 30, 2008</u>	<u>December 31, 2007</u>
Non-accruing loans which are contractually past due 90 days or more:		
Residential real estate	\$ 141	\$ 356
Commercial	10,399	2,445
Consumer	986	171
Total non-accruing loans	<u>11,526</u>	<u>2,972</u>
Real estate acquired through foreclosure and repossessed assets	88	856
Total non-performing assets	<u>\$ 11,614</u>	<u>\$ 3,828</u>
Percentage of loans receivable	<u>4.05%</u>	<u>1.49%</u>
Percentage of allowance for loan losses to total loans outstanding	<u>1.47%</u>	<u>1.28%</u>
Allowance for loan losses	<u>\$ 4,185</u>	<u>\$ 3,344</u>

Non-performing assets increased \$7,786,000 to \$11,614,000 at September 30, 2008, or 2.86% of total assets, as compared to \$3,828,000 or 0.94% of total assets, at December 31, 2007. Loans made to three residential real estate developers with total exposure of \$6.7 million as of September 30, 2008 represent 78% of the commercial real estate non-performing balance as of this date. Loans made for two residential real estate building lots with total exposure of \$502,000 as of September 30, 2008 represent 51% of the consumer non-performing balance as of this date. The current downturn in the residential housing market is the primary factor leading to the deterioration in these loans. This increase in non-performing loans was offset by an \$828,000 decline in other real estate owned due to the disposition of properties during the first quarter of 2008. Management has allocated specific reserves to these and other non-accrual loans that it believes will offset losses, if any, arising from less than full recovery of the loans from the supporting collateral. These additional reserves are based on management's evaluation of a number of factors including the estimated value of the collateral supporting each of these loans. Management believes that the combination of specific reserves in the allowance for loan losses and established impairment of these loans will be adequate to account for the current risk associated with these loans as of September 30, 2008.

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 \$479,000, or 20.67%, to \$2,796,000 for the nine months ended September 30, 2008 from \$2,317,000 for the same period in the previous year. Fees from financial services increased \$77,000, or

3.42%, to \$2,330,000 for the nine months ended September 30, 2008 from \$2,253,000 for the same period in the previous year. The increase was due to higher deposit service fees as a result of an increase in transaction accounts, offset by lower fees generated from third party investment brokerage and financing receivables programs as a result of lower product volumes. Gain on sale of investments were \$396,000 for the nine months ended September 30, 2008 as the Corporation sold approximately \$22.7 million in investment securities in order to improve yield spreads and to fund growth in higher-yielding loans.

Non-Interest Expense

For the nine months ended September 30, 2008, total non-interest expense decreased \$129,000, or 1.68%, to \$7,528,000 from \$7,657,000 for the same period in 2007. Compensation and employee benefits decreased \$48,000, or 1.27%, to \$3,728,000 for the nine months ended September 30, 2008 from \$3,776,000 for the same period in 2007 due primarily to reductions in accrued incentive compensation expense and reductions in employee pension benefits costs, offset by higher compensation costs from normal merit salary increases. Occupancy and equipment expense decreased \$27,000, or 1.42%, to \$1,875,000 for the nine months ended September 30, 2008 from \$1,902,000 for the same period in 2007 due primarily to the closing of a banking center in the previous year. Deposit insurance premiums expense increased \$23,000, or 104.55%, to \$45,000 for the nine months ended September 30, 2008 from \$22,000 for the same period in 2007, due to higher FDIC premium assessments as a result of a one-time assessment credit under the Federal Insurance Reform Act becoming fully amortized. Professional services expense decreased \$34,000, or 10.76%, to \$282,000 for the nine months ended September 30, 2008 from \$316,000 for the same period in 2007, due to lower legal expenses. Advertising/public relations expense decreased \$17,000, or 8.37%, to \$186,000 for the nine months ended September 30, 2008 from \$203,000 for the same period in 2007 due primarily to lower product and promotion expenses. Intangible amortization expense decreased \$63,000, or 16.80%, to \$312,000 for the nine months ended September 30, 2008 from \$375,000 for the same period in 2007, due to deposit premiums related to branch acquisitions becoming fully amortized. Items processing expense increased \$23,000, or 14.02%, to \$187,000 for the nine months ended September 30, 2008 from \$164,000 for the same period in 2007, due primarily to higher costs associated with an increase in transaction accounts.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable as the registrant is a smaller reporting company.

Item 4T. 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 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, 2007, 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 third quarter of 2008.

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
July 1, 2008 through July 31, 2008	--	--	--	38,820
August 1, 2008 through August 31, 2008	--	--	--	38,820
September 1, 2008 through September 30, 2008	1,700	\$11.29	1,700	37,120
Total	1,700	\$11.29	1,700	N/A

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

None

Item 5. Other Information

None

Item 6. Exhibits

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: November 7, 2008

By: /s/ Dwight V. Neese
Dwight V. Neese, President and
Chief Executive Officer

Date: November 7, 2008

By: /s/ Richard H. Flake
Richard H. Flake, Executive Vice President
and Chief Financial Officer

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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted account principles;
 - (c) 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
 - (d) 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: November 7, 2008

/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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted account principles;
 - (c) 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
 - (d) 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: November 7, 2008

/s/ Richard H. Flake
Richard H. Flake
Executive Vice President and Chief Financial Officer

EXHIBIT 32.a
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 September 30, 2008 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. §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: November 7, 2008

EXHIBIT 32.b
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 September 30, 2008 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. §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: November 7, 2008