

EXCESSIVE OR LUXURY EXPENDITURES POLICY

BOARD APPROVED: 09/15/2009

PROVIDENT COMMUNITY BANCSHARES, INC. PROVIDENT COMMUNITY BANK

Purpose

This Policy is intended to satisfy the obligations of Provident Community Bancshares, Inc. and its subsidiaries (collectively the “Company”) under Section 111(d) of the Emergency Economic Stabilization Act of 2008 (as amended by the American Recovery and Reinvestment Act of 2009) (“EESA”), and the applicable regulations and guidance issued thereunder, by setting forth written standards applicable to the Company and its directors and employees to eliminate excessive and luxury expenditures. This Policy is intended to strengthen and supplement existing policies and procedures and ensure compliance with ESSA.

General Philosophy Regarding Company Expenditures

The Company expects all of its employees to exercise reasonable care and prudence in determining the appropriateness of any Company expenditure. In general, expenditures incurred by an employee on behalf of the Company should serve a legitimate business purpose of the Company and the amount of the expenditures should be reasonable and proportionate to the anticipated benefit to the Company. Any expenditure that fails to satisfy that standard would be considered excessive and impermissible under this Policy. A legitimate business purpose of the Company includes, but is not limited to, improving or maintaining investor relations, improving or maintaining customer and community relations, necessary or usual meetings of employees and directors, employee training and development, director education, reasonable employee performance incentives, reasonable employee recognition or motivation programs, and other similar reasonable measures conducted in the normal course of the Company’s business operations. Directors and employees are encouraged to consult with a senior officer in advance of making any expenditure or entering into any commitment on behalf of the Company in any case where the employee or director is uncertain whether the expenditure or commitment is inconsistent with this Policy.

Travel

Automobile. The Company may provide a vehicle for everyday use by certain officers of the Company. For any vehicle provided, the Company will pay the operational, insurance and

maintenance costs associated with the officer's use of the vehicle. The use of such automobiles must be approved in advance by the Compensation Committee.

Expenses for employee or director use of personal vehicles for Company business will be reimbursed at a rate that does not exceed the published Internal Revenue Service mileage rate. Documentation in support of such use must be provided in accordance with applicable Company policies and procedures.

Air Travel. Employees and directors using air travel on Company business shall use reasonable efforts to minimize the cost to the Company of such travel. Air travel will be by commercial carrier, coach class, unless otherwise approved in advance by the principal executive officer or the principal financial officer.

Other Travel-Related Expenses. When traveling for Company business, the Company will reimburse directors and employees for reasonable meal and business-related entertainment expenses that are incurred in connection with business-related travel. Certain entertainment expenses are subject to pre-approval procedures, as described below. Documentation supporting such travel expenditures must be provided in accordance with applicable Company policies and procedures.

Entertainment

The Company recognizes that Company-paid entertainment serves a legitimate business purpose in fostering the Company's relationships with existing or potential clients, the community and other persons, entities or businesses with which the Company has a business relationship. Such events may include, but are not limited to, dining, sporting events, golf outings, theatre or concerts, and similar events.

Directors and employees shall exercise reasonable judgment in determining the appropriateness of an entertainment expense to be paid by the Company. Such determination should take into account, among other relevant considerations, the nature and amount of the expense, the significance of the relationship or potential relationship to the Company of the persons being entertained, how recently the persons being entertained have been guests of the Company at other events, and whether the entertainment creates the appearance or possible appearance of impropriety or abuse. Company-paid entertainment expenses should be approved and documented in accordance with applicable Company policies and procedures. However, any individual Company-paid entertainment expense or event that is reasonably anticipated to exceed **\$1,000** must be approved in advance by the principal executive officer or principal financial officer.

Employee Events

The Company believes that it is appropriate and in the best interests of the Company to host or sponsor certain employee events, from time to time, to recognize and reward employees, promoting collegiality and team-building among employees, providing individual and team training, and business planning and strategy development. Such events may include off-site sessions or retreats, employee recognition ceremonies and awards, and holiday or seasonal parties. Efforts should be made to conduct such events on-site when practicable and consistent with the business purpose of such event. Company-paid expenses for employee events should be approved and documented in accordance with applicable Company policies and procedures. However, any individual Company-paid expense for an employee event that is reasonably anticipated to exceed **\$3,500** must be approved in advance by the principal executive officer or principal financial officer.

Office and Facility Renovations

Anticipated expenditures for office and facility renovations should be included in the Company's annual operating budget, which is approved by the Board of Directors, when possible. Office and facility renovations that are not included in the annual budget must be approved in advance by the principal executive officer or the principal financial officer if they are reasonably anticipated to exceed **\$10,000**, and by the Board of Directors if they are reasonably anticipated to exceed **\$100,000**. Emergency expenditures necessary to make a facility operational or safe for customer use are exempt from the prior approval requirements.

A determination of the appropriateness of an office or facility renovation should consider whether such renovation serves a legitimate business purpose, which may include enhancement of operational efficiency, compliance with applicable code, statutory or regulatory requirements (e.g., OSHA requirements; fire and other safety codes; ADA accessibility standards, etc.), presentation of a positive Company image to the public, and the provision of a clean, safe, pleasant and comfortable environment for employees, customers and guests of the Company. Such determination also should consider the reasonableness of the anticipated cost of such renovation. Approval should be denied for any office or facility renovation expenditure that is determined to be inconsistent with the purpose of this Policy.

Other Activities or Events

Other similar items, activities or events for which the Company may incur expenses, or reimburse an employee for incurring expenses, which are not specifically addressed elsewhere in this policy (e.g. performance incentives) shall be for legitimate business purposes and reasonable in nature and amount.

Generally, the Company does not grant performance incentives in the form of travel or entertainment. However, if granted, such performance incentives must not encourage or promote excessive or unnecessary risk-taking or manipulation of financial results. Any performance incentive granted in the form of travel or entertainment must be approved in advance by the principal executive officer.

All meetings or events attended by senior executives (as defined by applicable Treasury Department guidelines) and/or board members shall be devoted to specific business purposes and well-documented. Participating senior executives and board members shall be responsible for any expenses incurred for non-business related activities, and shall promptly reimburse the Company for any such expenses if paid by the Company.

Policy Administration

Review and Authority. The Governance Committee of the Company shall be responsible for maintaining the Policy, which shall include an annual review of the Policy to confirm compliance with the Company's obligations under the applicable provisions of EESA. Any changes shall be submitted to the Board of Directors for review and approval. The principal financial officer is responsible for the day-to-day administration of the Policy. The principal executive officer is accountable for overall adherence to this Policy and must approve any exceptions.

Distribution and Posting. The terms of this Policy apply to all employees and directors of the Company. Accordingly, a copy of this Policy shall be distributed to all employees and directors and included in the Company's employee handbook. A copy of this Policy, including any material amendments to the Policy, shall be filed with the Department of the Treasury and the Federal Reserve Board and be posted on the Company's web site in accordance with applicable governmental regulations and guidance. The principal financial officer shall be responsible for ensuring that such filings and posting are made.

Violations. Any violation of this Policy must be promptly reported to the principal financial officer or the principal executive officer. Violations of this Policy may result in disciplinary action against those accountable for adherence to the Policy, up to and including termination of employment.

Certification. The principal executive officer and the principal financial officer of the Company shall certify to the Department of the Treasury at least annually, in accordance with applicable government regulations and guidance, that the Company and its employees and directors have complied with the foregoing Policy during the applicable period and that all expenses requiring approval pursuant to this Policy have been properly approved in accordance

with the requirements. Appropriate documentation and records to substantiate such certifications shall be retained in accordance with applicable government regulations and guidance.

Amendment and Termination. The Board of Directors has the full authority to amend the Policy from time to time, in its discretion, without the consent of any affected employee or director. The Policy will remain in effect until the effective date of its termination as determined by the Board of Directors. The Board of Directors may terminate the Policy at any time, provided that it has received the advice of counsel that such termination does not cause the Company to fail to comply with any its obligations as a participation in the Capital Purchase Program under the Troubled Assets Relief Program.