

AUDIT/COMPLIANCE COMMITTEE

CHARTER

I. PURPOSE

The primary function of the Audit Committee (the Committee) of Provident Community Bancshares, Inc. (the Corporation) and Provident Community Bank (the Bank) is to review: the integrity of the financial reports and other financial information provided by the Corporation to any governmental body or the public, including any certification, report or opinion prepared by or review performed by the Corporation's independent accountants; the Corporation's compliance with legal and regulatory requirements; the independent accountants' qualifications and independence; the performance of the Corporation's internal audit function, its independent accountants and the system of internal controls regarding finance, accounting, legal compliance and ethics that management and the Board have established; and the Corporation's auditing, accounting and financial reporting processes generally. Consistent with this function, the Committee should encourage continuous improvement of, and should foster adherence to, the Corporation's policies, procedures and practices at all levels. The Committee's primary duties and responsibilities are to:

- Serve as an independent and objective party to monitor the Corporation's financial reporting process and internal control systems.
- Review and access the audit efforts of the Corporation's independent accountants and internal audit function.
- Provide an open avenue of communication among the independent accountants, financial personnel, senior management, the internal audit function, and the Board of Directors.

The Committee will primarily fulfill these responsibilities by carrying out the activities outlined in Section IV. of this Charter.

II. COMPOSITION

The Committee shall be comprised of three or more directors as determined by the Board of Directors, each of whom shall be independent as defined by applicable NASDAQ Listing Standards, and free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgement as a member of the Committee. All members of the Committee shall have a working familiarity with basic finance and accounting practices and be able to read and understand fundamental financial statements. In addition, at least one member of the Committee shall have past employment experience in finance or accounting, requisite professional certification in accounting or other comparable experience or background which results in the individual's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior financial officer with financial oversight responsibilities.

The members of the Committee shall be elected by the Board annually or until their successors shall be duly elected and qualified. Unless a Chairperson is elected by the full Board, the members of the Committee may designate a Chairperson by majority vote of the full Committee membership.

III. MEETINGS

The Committee shall meet at least four times annually, or more frequently as circumstances dictate. As part of its job to foster open communication, the Committee should meet at least annually with management and the external auditors to discuss the internal and external audit functions and any other matters that the Committee or each of these groups believe should be discussed privately.

IV. RESPONSIBILITIES AND DUTIES

To fulfill its responsibilities and duties, the Committee shall:

Documents/Reports Review

1. Review and update this Charter periodically, but not less than annually, and as conditions dictate.
2. Review the regular internal reports to management prepared by the internal audit function and management's response.
3. Review the Corporation's audited annual financial statements and the independent accountants' opinion rendered with respect to such financial statements, including reviewing the nature and extent of any significant changes in accounting principles or the application therein.
4. Review and approve requests for any management consulting engagement to be performed by the Corporation's independent auditor and be advised of any other study undertaken at the request of management that is beyond the scope of the audit engagement letter.
5. Review with financial management interim financial reports prior to the release of earnings. The Chairperson of the Committee may represent the entire Committee for the purposes of this review.
6. Generally discuss earnings press releases and financial information as well as earnings guidance provided to analysts and rating agencies.

Independent Accountants

7. Appoint the independent accountants, considering independence and effectiveness and be ultimately responsible for their compensation, retention and oversight (including resolution of disagreements between management and the accountant regarding financial reporting) for the purpose of preparing or issuing an audit report or related work, and each such accounting firm shall report directly to the Committee. On an annual basis, the Committee should review and discuss with the accountants all significant relationships the accountants have with the Corporation to determine the accountants' independence.
8. Review the performance of the independent accountants and approve any proposed discharge of the independent accountants when circumstances warrant.
9. Monitor the rotation of the lead audit partner or the audit partner having primary responsibility for reviewing the audit as required by law.
10. Periodically consult with the independent accountants out of the presence of management about internal controls and the fullness and accuracy of the organization's financial statements.
11. Approve, in advance, all permissible non-audit services to be completed by the independent accountants and all audit, review or attest engagements required under the federal securities laws. Such approval process will ensure that the independent accountant does not provide any non-audit services to the Corporation or the Bank that are prohibited by law or regulation.
12. Obtain and review, at least annually, a report by the independent accountants describing (A) the auditor's internal quality control procedures, (B) any material issues raised by its most recent

internal quality control review, or peer review, of the firm or by any inquiry or investigation by governmental or professional authorities in the preceding five (5) years relating to an independent audit conducted by the firm and any steps taken to deal with such issues.

13. Set clear policies for hiring employees or former employees of the independent accountants.

Financial Reporting Process

14. In consultation with the independent accountants and the internal audit function, review the integrity of the organization's financial reporting processes, both internal and external.
15. Consider the independent accountants' judgement about the quality and appropriateness of the Corporation's accounting principles as applied in its financial reporting.
16. Consider and approve, if appropriate, major changes to the Corporation's auditing and accounting principles and practices as suggested by the independent accountants, management, or the internal audit function.
17. Prepare a report for inclusion in the Corporation's annual proxy statement, in accordance with applicable rules and regulations.

Process Improvement

18. Establish regular and separate systems of reporting to the Committee by each of management, the independent accountants and the internal audit function regarding any significant judgements made in management's preparation of the financial statements and the view of each as to appropriateness of such judgements.
19. Following completion of the annual audit, review separately with each of management, the independent accountants, and the internal audit function any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
20. Review and resolve any significant disagreement among management and the independent accountants or the internal audit function in connection with the preparation of the financial statements.
21. Review with the independent accountants, the internal audit function and management the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented.
22. Periodically consult with the internal accountants out of the presence of management and the independent accountants about internal controls and the fullness and accuracy of the organization's financial statements.
23. Have in place procedures for (A) the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters and (B) the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
24. Report regularly to the Board of Directors, which such report should include a review on issues relating to the quality or integrity of the Corporation's financial statements, the Corporation's compliance with legal or regulatory requirements, the performance of the independent accountants, or the performance of the internal audit function.

Ethical and Legal Compliance

25. Review activities, organizational structure, and qualifications of the internal audit function.
26. Review all legal compliance matters as they occur.
27. Review and approve all related-party transactions.

28. Review any legal matter that could have a significant impact on the organization's financial statements.
29. Be authorized to retain independent counsel and other advisors as it deems necessary to carry out its duties and to assist it in the conduct of any investigation. In connection therewith, the audit committee shall be provided appropriate funding as determined by the audit committee for payment to accountants and advisors and for ordinary administrative expense that are necessary or appropriate in carrying out its duties.
30. Perform any other activities consistent with this Charter, the Corporation's Bylaws and governing law, as the Committee or the Board of Directors deems necessary or appropriate.
31. Review and update periodically a Code of Business Conduct.

COMPENSATION COMMITTEE

I. PURPOSE

The Compensation Committee (the Committee) of Provident Community Bancshares, Inc. (the Corporation) and Provident Community Bank (the Bank) is responsible for human resource policies, salaries and benefits, incentive compensation, executive development and management succession planning. It also deals with policies relating to nondiscriminatory employment practices, including those related to hiring, compensation and promotion.

II. COMPOSITION

The Committee will consist of at least three directors, each of whom shall be independent as determined under applicable regulatory requirements, including NASDAQ's qualitative listing requirements. Committee members shall be elected by the Board at the annual organizational meeting of the Board of Directors. Members shall serve until their successors are appointed. The Committee's Chairperson shall be designated by the full Board or, if it does not do so, the Committee members shall elect a Chairperson by vote of a majority of the full Committee. The CEO will meet often with the Committee, but the CEO will not be on the Committee or participate in all of its meetings. The same is true of the Bank's Human Resource Administrator.

The Committee may form and delegate authority to subcommittees when appropriate.

III. MEETINGS

The Committee shall meet as frequently as circumstances dictate. The Committee Chairperson will preside at each meeting and, in consultation with the other members of the Committee, will set the frequency and length of each meeting and the agenda of items to be addressed at each meeting. The Chairperson of the Committee shall ensure that the agenda for each meeting is circulated to each Committee member in advance of the meeting.

IV. RESPONSIBILITIES AND DUTIES

The principal responsibilities of the Committee are:

- **Developing and monitoring human resource policies.** The Committee will develop human resource policies for the Corporation and the Bank and will monitor the Corporation and the Bank's adherence to the policies on a continual basis. The Bank's human resource policies include the following:
 - 1) Employment Policies (Corporate handbook)
 - 2) Salary Administration Policy
 - 3) Family Medical Leave Act
 - 4) Americans with Disabilities Act
 - 5) Sexual Harassment Policy
 - 6) Discretionary Leave Policy

- **Appraising the performance of the CEO.** The Committee will complete a written performance evaluation of the CEO in October of each year. The Committee will meet with the CEO to discuss his or her strengths, weaknesses, review goals set at the beginning of the current year and to establish goals for the coming year. The Committee will determine the annual salary, bonus, stock options, and other benefits, direct and indirect, of the CEO. In making its determination, the Committee will consider:

 - 1) the performance of the Corporation and the Bank;
 - 2) shareholder return;
 - 3) the level of salary, bonus, stock options, and other benefits, direct and indirect, of the CEO relative to CEOs at comparable companies; and
 - 4) the level of salary, bonus, stock options, and other benefits, direct and indirect, given to the CEO in recent years.

- **Preparation of report.** The Committee will prepare a report on executive compensation for inclusion in the Corporation's annual meeting proxy statement, in accordance with applicable rules and regulations.

- **Oversight of executive compensation programs.** The Committee will review on an annual basis the Corporation's and the Bank's executive compensation programs to determine that they are properly researched and coordinated. In determining how corporate performance will be rewarded, the Committee will ensure that a significant portion of an executive's compensation is connected to the long-term interest of the shareholders. There will be an appropriate balance between short-term pay and long-term incentives. An important responsibility of the Committee is the development of an appropriate balance while focusing on long-term shareholder value.

- **Oversight of staff compensation programs.** The Committee will review on an annual basis the Bank's salary administration program to determine that it is current and properly researched and coordinated. The Committee will review recommendations from the CEO and Human Resource Administrator concerning compensation adjustments and will then make recommendations to the Board of Directors. The Committee's review and Board of Director's deliberation will occur in October of each year to facilitate a timely budgeting process.

- **Oversight of the performance incentive compensation plan.** Prior to the beginning of each fiscal year, the Committee will review the Corporation's stock option plans and the Bank's performance incentive compensation plan to determine that they are properly structured to reward exceptional performance. The Committee will consider the overall performance of the Corporation and the Bank and the cost of the performance incentive compensation plan to ascertain that shareholder value is being increased by exceptional performance. The Committee will make recommendations to the Board of Directors regarding changes to the plan. The Committee will also approve the pay-out of the plans after the Corporation's and the Bank's performance has been ratified by the external auditing firm.

- **Oversight of staff benefit programs.** The Committee will review on a continual basis the Corporation's and the Bank's benefit programs to determine that they are current and properly coordinated. The Committee will review recommendations from the CEO and Human Resources Administrator concerning benefit program adjustments and will then make its recommendations to the Board of Directors.

- **Oversight of 401(k) Plan.** The Committee will also serve as trustees of the Bank's 401(k) Plan. The Committee will monitor the Plan on a quarterly basis and will meet with the Plan administrator on an annual basis for adjustments or revisions.
- **Oversight of executive development and management succession planning.** The Committee will review on an annual basis the executive development program facilitated by the CEO and managed by the Human Resource Administrator. The Committee will integrate management succession planning with the executive development program.

V. EVALUATIONS

Annually, the Committee shall conduct a performance evaluation and review and reassess the adequacy of this Charter and recommend any proposed changes to the Board for approval.

VI. COMMITTEE RESOURCES

The Committee shall have the authority to obtain advice and seek assistance from internal or external advisors. The Committee shall have the sole authority to retain and terminate any compensation consultant used to assist the Committee in evaluating executive compensation, including sole authority to approve such consultant's fees and other retention terms.

GOVERNANCE COMMITTEE

CHARTER

I. PURPOSE

The primary objectives of the Governance Committee (the Committee) of Provident Community Bancshares, Inc. (the Corporation) are to: (A) identify individuals qualified to become Board members, (B) select the nominees for election to the Board for the next annual meeting of shareholders and (C) develop and recommend to the Board a set of corporate governance principles applicable to the Corporation. The Committee will take particular care to ensure that the nomination process is performed in accordance with the Corporation's Bylaws.

II. COMPOSITION

The Committee will consist of at least three directors, each of whom shall be independent as determined under applicable regulatory requirements, including NASDAQ's qualitative listing requirements. Committee members shall be elected by the Board at the annual organizational meeting of the Board of Directors. Members shall serve until their successors are appointed. The Committee's Chairperson shall be designated by the full Board or, if it does not do so, the Committee members shall elect a Chairperson by vote of a majority of the full Committee. The CEO, although not a member of the Committee, will nonetheless have a significant role in the nominating and recruiting process. The Committee Chairperson will have a prominent involvement in the recruiting process to reinforce that the invitee's selection is being made by the Corporation's full Board of Directors.

The Committee may form and delegate authority to subcommittees when appropriate.

III. MEETINGS

The Committee shall meet annually, or more frequently as circumstances dictate. The Committee Chairperson will preside at each meeting and, in consultation with the other members of the Committee, will set the frequency and length of each meeting and the agenda of items to be addressed at each meeting. The Chairperson of the Committee shall ensure that the agenda for each meeting is circulated to each Committee member in advance of the meeting.

IV. RESPONSIBILITIES AND DUTIES

The Committee will recommend to the Board of Directors the slate of nominees for directorship to be elected by the shareholders (as well as any directors to be elected by the Board of Directors to fill vacancies).

Additionally, the Committee will recommend to the Board of Directors:

- The directors to be selected for membership on the various board committees. The Committee will also recommend the appointment of directors as chairs of board committees, particularly committees that perform oversight functions, such as the Audit

Committee, the Compensation Committee, the Governance Committee and the Investment Committee.

- The annual election of corporate officers.
- The termination of board service for any director not meeting the standards established by the Board.

Other responsibilities of the Committee are:

- To ensure independent director control.
- To establish evaluation processes and goals.
- To review regularly the evaluation process.
- To ensure candor, confidentiality and trust.
- To evaluate the Board's effectiveness on an annual basis.
- To assess individual director contributions on an annual basis.

In structuring a search for a new director, the Committee will evaluate the composition of the present Board of Directors, its strengths and weaknesses, and the kinds of individual backgrounds and expertise that will be most beneficial to the Board. The Committee will consider the present size of the Corporation, the stage of the Corporation's growth, its financial condition, the markets, competition, and technological change. Focusing on the strengths and weaknesses of the current Board, the Committee will search for candidates who meet the following requisite requirements:

- 1.) Personal characteristics:
 - a.) Integrity and accountability
 - b.) Informed judgment
 - c.) Financial literacy
 - d.) Mature confidence
 - e.) High performance standards
- 2.) Core competencies:
 - a.) Accounting and finance
 - b.) Business judgment
 - c.) Management
 - d.) Crisis response
 - e.) Industry knowledge
 - f.) Regional markets
 - g.) Leadership
 - h.) Strategy/vision
- 3.) Director commitment:
 - a.) Time and effort
 - b.) Awareness and ongoing education
 - c.) Other board commitments

- d.) Stock ownership
 - e.) Changes in professional responsibilities
 - f.) Length of service
- 4.) Team and company considerations:
- a.) Balancing director contributions
 - b.) Diversity
 - c.) Company status

V. EVALUATIONS

Annually, the Committee shall conduct a performance evaluation and review and reassess the adequacy of this charter and recommend any proposed changes to the Board for approval.

VI. COMMITTEE RESOURCES

The Committee shall have the authority to obtain advice and seek assistance from internal or external legal or other advisors. The Committee shall have the sole authority to retain and terminate any search firm to be used to identify director candidates, including sole authority to approve such search firm's fees and other retention terms.