SCBT FINANCIAL CORP
Form 10-Q
August 09, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2011

OR

o 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 001-12669

SCBT FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

South Carolina	**57-0799315**
(State or other jurisdiction of incorporation)	(IRS Employer Identification No.)
520 Gervais Street	
Columbia, South Carolina	**29201**
(Address of principal executive offices)	(Zip Code)

(800) 277-2175

(Registrant s telephone number, including area code)

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 x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

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.

Large Accelerated Filer o	Accelerated Filer x
Non-Accelerated Filer o	Smaller Reporting Company o

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

Indicate the number of shares outstanding of each of issuer s classes of common stock, as of the latest practicable date:

Class	**Outstanding as of July 31, 2011**
Common Stock, $2.50 par value	13,995,219

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SCBT Financial Corporation and Subsidiary

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PART I FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

SCBT Financial Corporation and Subsidiary

Condensed Consolidated Balance Sheets

(Dollars in thousands, except par value)

	June 30, 2011 (Unaudited)	December 31, 2010 (Note 1)	June 30, 2010 (Unaudited)
ASSETS			
Cash and cash equivalents:			
Cash and due from banks	**$ 87,319**	$ 83,449	$ 72,574
Interest-bearing deposits with banks	**1,088**	416	182
Federal funds sold and securities purchased under agreements to resell	**160,660**	153,234	114,269
Total cash and cash equivalents	**249,067**	237,099	187,025
Investment securities:			
Securities held to maturity (fair value of $19,834, $20,150 and $20,584, respectively)	**19,100**	19,941	20,092
Securities available for sale, at fair value	**209,956**	197,374	251,644
Other investments	**20,427**	20,597	22,181
Total investment securities	**249,483**	237,912	293,917
Loans held for sale	**17,956**	42,704	22,724
Loans:			
Acquired	**367,491**	321,038	413,549
Non-acquired	**2,405,613**	2,296,200	2,227,442
Less allowance for loan losses	**(61,875)**	(47,512)	(46,167)
Loans, net	**2,711,229**	2,569,726	2,594,824
FDIC receivable for loss share agreements	**299,200**	212,103	265,890
Other real estate owned (covered of $74,591, $69,317, and $31,750, respectively; and non-covered of $24,900, $17,264, and $9,803, respectively)	**99,491**	86,581	41,553
Premises and equipment, net	**90,529**	87,381	84,206
Goodwill	**62,888**	62,888	62,888
Other assets	**60,092**	58,397	65,619
Total assets	**$ 3,839,935**	$ 3,594,791	$ 3,618,646
LIABILITIES AND SHAREHOLDERS EQUITY			
Deposits:			
Noninterest-bearing	**$ 598,112**	$ 484,838	$ 465,594
Interest-bearing	**2,607,716**	2,519,310	2,546,273
Total deposits	**3,205,828**	3,004,148	3,011,867
Federal funds purchased and securities sold under agreements to repurchase	**187,550**	191,017	177,281
Other borrowings	**46,275**	46,978	62,557
Other liabilities	**29,177**	22,691	32,338
Total liabilities	**3,468,830**	3,264,834	3,284,043
Shareholders equity:			

Preferred stock - $.01 par value; authorized 10,000,000 shares; no shares issued and outstanding						
Common stock - $2.50 par value; authorized 40,000,000 shares; 13,987,686, 12,793,823 and 12,773,855 shares issued and outstanding		**34,969**		31,985		31,935
Surplus		**231,640**		198,647		197,305
Retained earnings		**105,799**		103,117		105,115
Accumulated other comprehensive income (loss)		**(1,303)**		(3,792)		248
Total shareholders equity		**371,105**		329,957		334,603
Total liabilities and shareholders equity	**$**	**3,839,935**	$	3,594,791	$	3,618,646

The Accompanying Notes are an Integral Part of the Financial Statements.

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SCBT Financial Corporation and Subsidiary

Condensed Consolidated Statements of Income (unaudited)

(Dollars in thousands, except per share data)

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Interest income:				
Loans, including fees	**$ 40,994**	$ 35,994	**$ 77,824**	$ 70,167
Investment securities:				
Taxable	**1,741**	2,740	**3,598**	5,254
Tax-exempt	**235**	164	**450**	429
Federal funds sold and securities purchased under agreements to resell	**361**	214	**714**	466
Total interest income	**43,331**	39,112	**82,586**	76,316
Interest expense:				
Deposits	**4,661**	7,077	**10,378**	14,132
Federal funds purchased and securities sold under agreements to repurchase	**142**	184	**302**	337
Other borrowings	**527**	691	**1,059**	2,056
Total interest expense	**5,330**	7,952	**11,739**	16,525
Net interest income	**38,001**	31,160	**70,847**	59,791
Provision for loan losses	**4,215**	12,509	**14,856**	33,287
Net interest income after provision for loan losses	**33,786**	18,651	**55,991**	26,504
Noninterest income:				
Gains on acquisitions			**5,528**	98,081
Service charges on deposit accounts	**5,615**	5,582	**10,645**	10,105
Bankcard services income	**3,045**	2,348	**5,704**	4,147
Trust and investment services income	**1,525**	1,187	**2,774**	1,971
Mortgage banking income	**1,125**	1,267	**1,988**	2,111
Securities gains	**10**		**333**	
Other-than-temporary impairment losses		(675)		(6,261)
Accretion on FDIC indemnification asset	**(3,133)**	567	**(3,534)**	936
Other	**605**	752	**1,227**	1,559
Total noninterest income	**8,792**	11,028	**24,665**	112,649
Noninterest expense:				
Salaries and employee benefits	**18,016**	15,263	**34,662**	29,016
OREO expense and loan related	**2,777**	825	**5,310**	555
Net occupancy expense	**2,346**	1,907	**4,922**	4,280
Information services expense	**2,503**	2,157	**4,845**	4,528
Furniture and equipment expense	**2,181**	1,937	**4,139**	3,573
FDIC assessment and other regulatory charges	**1,255**	1,227	**2,734**	2,550
Merger-related expense	**598**	964	**1,207**	4,872
Advertising and marketing	**289**	1,028	**1,198**	1,615
Amortization of intangibles	**505**	432	**951**	781
Professional fees	**501**	616	**934**	1,173
Federal Home Loan Bank advances prepayment fee				3,189
Other	**4,077**	2,628	**8,370**	5,432
Total noninterest expense	**35,048**	28,984	**69,272**	61,564
Earnings:				
Income before provision for income taxes	**7,530**	695	**11,384**	77,589
Provision for income taxes	**2,612**	120	**3,950**	28,053

Net income	**$**	**4,918**	$	575	**$**	**7,434**	$	49,536
Earnings per common share:								
Basic	**$**	**0.36**	$	0.05	**$**	**0.55**	$	3.93
Diluted	**$**	**0.35**	$	0.05	**$**	**0.55**	$	3.90
Dividends per common share	**$**	**0.17**	$	0.17	**$**	**0.34**	$	0.34
Weighted-average common shares outstanding:								
Basic		**13,805**		12,612		**13,500**		12,599
Diluted		**13,886**		12,738		**13,582**		12,713

The Accompanying Notes are an Integral Part of the Financial Statements.

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SCBT Financial Corporation and Subsidiary

Condensed Consolidated Statements of Changes in Shareholders Equity (unaudited)

Six Months Ended June 30, 2011 and 2010

(Dollars in thousands, except per share data)

	Preferred Stock		Common Stock			Retained	Accumulated Other Comprehensive	
	Shares	**Amount**	**Shares**	**Amount**	**Surplus**	**Earnings**	**Income (Loss)**	**Total**
Balance, December 31, 2009		$	12,739,533	$ 31,849	$ 196,437	$ 59,915	$ (5,382)	$ 282,819
Comprehensive income:								
Net income						49,536		49,536
Change in net unrealized gain on securities available for sale, net of tax							6,153	6,153
Change in unrealized losses on derivative financial instruments qualifying as cash flow hedges, net of tax							(523)	(523)
Total comprehensive income								55,166
Cash dividends declared at $.34 per share						(4,336)		(4,336)
Employee stock purchases			5,294	13	129			142
Stock options exercised			11,782	30	196			226
Restricted stock awards			22,698	57	(57)			
Common stock repurchased			(5,452)	(14)	(184)			(198)
Share-based compensation expense					784			784
Balance, June 30, 2010		$	12,773,855	$ 31,935	$ 197,305	$ 105,115	$ 248	$ 334,603
Balance, December 31, 2010		$	12,793,823	$ 31,985	$ 198,647	$ 103,117	$ (3,792)	$ 329,957
Comprehensive income:								
Net income						7,434		7,434
Change in net unrealized gain on securities available for sale, net of tax							2,557	2,557
Change in unrealized losses on derivative financial instruments qualifying as cash flow hedges, net of tax							(68)	(68)
Total comprehensive income								9,923
Cash dividends declared at $.34 per share						(4,752)		(4,752)
Employee stock purchases			5,540	14	161			175
Stock options exercised			11,550	29	184			213
Restricted stock awards			52,680	132	(132)			
Common stock repurchased			(4,939)	(13)	(146)			(159)
Share-based compensation expense					909			909
Common stock issued in private placement offering			1,129,032	2,822	32,017			34,839
Balance, June 30, 2011		$	13,987,686	$ 34,969	$ 231,640	$ 105,799	$ (1,303)	$ 371,105

The Accompanying Notes are an Integral Part of the Financial Statements.

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SCBT Financial Corporation and Subsidiary

Condensed Consolidated Statements of Cash Flows (unaudited)

(Dollars in thousands)

	Six Months Ended June 30, 2011	2010
Cash flows from operating activities:		
Net income	**$ 7,434**	$ 49,536
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	**5,093**	4,316
Provision for loan losses	**14,856**	33,287
Deferred income taxes	**(105)**	(3,884)
Other-than-temporary impairment on securities		6,261
Gain on sale of securities	**(333)**	
Gain on acquisition	**(5,528)**	(98,081)
Share-based compensation expense	**909**	784
Loss on disposal of premises and equipment	**48**	36
Federal Home Loan Bank advances prepayment fee		3,189
Accretion on FDIC indemnification asset	**3,534**	(918)
Accretion on loans covered under FDIC loss share agreements	**(6,526)**	2,337
Net amortization of investment securities	**689**	358
Net change in:		
Loans held for sale	**24,747**	(5,161)
Accrued interest receivable	**1,377**	2,379
Prepaid assets	**2,559**	1,835
FDIC loss share receivable	**(3,213)**	
Accrued interest payable	**(2,682)**	(3,931)
Accrued income taxes	**1,381**	24,929
Miscellaneous assets and liabilities	**6,332**	(136)
Net cash provided by operating activities	**50,572**	17,136
Cash flows from investing activities:		
Proceeds from sales of investment securities available for sale	**52,282**	
Proceeds from maturities and calls of investment securities held to maturity	**840**	1,445
Proceeds from maturities and calls of investment securities available for sale	**40,670**	49,083
Proceeds from sales of other investment securities	**3,396**	49
Purchases of investment securities available for sale	**(43,568)**	(24,685)
Purchases of other investment securities	**(630)**	
Net increase in customer loans	**(22,379)**	(5,234)
Net cash received from acquisition	**91,281**	306,298
Purchases of premises and equipment	**(7,889)**	(4,497)
Proceeds from sale of premises and equipment	**2**	
Net cash provided by investing activities	**114,005**	322,459
Cash flows from financing activities:		
Net decrease in deposits	**(138,970)**	(101,277)
Net increase (decrease) in federal funds purchased and securities sold under agreements to repurchase and other short-term borrowings	**(5,618)**	13,992
Repayment of FHLB advances	**(38,338)**	(166,027)
Common stock issuance	**35,014**	142
Common stock repurchased	**(159)**	(198)
Dividends paid on common stock	**(4,751)**	(4,336)
Stock options exercised	**213**	226

Net cash used in financing activities		**(152,609)**		(257,478)
Net increase in cash and cash equivalents		**11,968**		82,117
Cash and cash equivalents at beginning of period		**237,099**		104,908
Cash and cash equivalents at end of period	**$**	**249,067**	$	187,025
Supplemental Disclosures:				
Cash paid for:				
Interest	**$**	**13,445**	$	16,277
Income taxes	**$**	**2,540**	$	6,324
Noncash investing activities:				
Transfers of loans to foreclosed properties (covered of $16,002 and $11,587, respectively; and non-covered of $8,696 and $11,684, respectively)	**$**	**24,698**	$	23,271

The Accompanying Notes are an Integral Part of the Financial Statements.

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SCBT Financial Corporation and Subsidiary

Notes to Condensed Consolidated Financial Statements (unaudited)

Note 1 Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and disclosures required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Certain prior period information has been reclassified to conform to the current period presentation, and these reclassifications had no impact on net income or equity as previously reported. Operating results for the six months ended June 30, 2011 are not necessarily indicative of the results that may be expected for the year ending December 31, 2011.

The condensed consolidated balance sheet at December 31, 2010, has been derived from the audited financial statements at that date, but does not include all of the information and disclosures required by accounting principles generally accepted in the United States for complete financial statements.

Note 2 Summary of Significant Accounting Policies

The information contained in the consolidated financial statements and accompanying notes included in SCBT Financial Corporation s (the Company or SCBT) Annual Report on Form 10-K for the year ended December 31, 2010, as filed with the Securities and Exchange Commission (the SEC) on March 16, 2011, should be referenced when reading these unaudited condensed consolidated financial statements.

Business Combinations, Method of Accounting for Loans Acquired, and FDIC Indemnification Asset

The Company accounts for its acquisitions under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 805, *Business Combinations*, which requires the use of the acquisition method of accounting. All identifiable assets acquired, including loans, are recorded at fair value. No allowance for loan losses related to the acquired loans is recorded on the acquisition date because the fair value of the loans acquired incorporates assumptions regarding credit risk. Loans acquired are recorded at fair value in accordance with the fair value methodology prescribed in FASB ASC Topic 820, *Fair Value Measurements and Disclosures,* exclusive of the loss share agreements with the Federal Deposit Insurance Corporation (the FDIC). The fair value estimates associated with the loans include estimates related to expected prepayments and the amount and timing of undiscounted expected principal, interest and other cash flows.

Acquired credit-impaired loans are accounted for under the accounting guidance for loans and debt securities acquired with deteriorated credit quality, found in FASB ASC Topic 310-30, *Receivables Loans and Debt Securities Acquired with Deteriorated Credit Quality,* formerly American Institute of Certified Public Accountants (AICPA) Statement of Position (SOP) 03-3, *Accounting for Certain Loans or Debt Securities*

Acquired in a Transfer, and initially measured at fair value, which includes estimated future credit losses expected to be incurred over the life of the loans. Loans acquired in business combinations with evidence of credit deterioration since origination and for which it is probable that all contractually required payments will not be collected are considered to be credit impaired. Evidence of credit quality deterioration as of purchase dates may include information such as past-due and nonaccrual status, borrower credit scores and recent loan to value percentages. The Company considers expected prepayments and estimates the amount and timing of undiscounted expected principal, interest and other cash flows for each loan or pool of loans meeting the criteria above, and determines the excess of the loan s scheduled contractual principal and contractual interest payments over all cash flows expected at acquisition as an amount that should not be accreted (nonaccretable difference). The remaining amount, representing the excess of the loan s or pool s cash flows expected to be collected over the amount deemed paid for the loan or pool of loans, is accreted into interest income over the remaining life of the loan or pool (accretable yield). The Company records a discount on these loans at acquisition to record them at their realizable cash flows. In accordance with FASB ASC Topic 310-30, the Company aggregated loans that have common risk characteristics into pools within the following loan categories: commercial loans greater than or equal to $1 million, commercial real estate, commercial real estate construction and development, residential real estate, residential real estate junior lien, home equity, consumer, commercial and industrial, and single pay.

Loans acquired through business combinations that do not meet the specific criteria of FASB ASC Topic 310-30, but for which a discount is attributable at least in part to credit quality, are also accounted for under this guidance. As a result, related discounts are recognized subsequently through accretion based on the expected cash flow of the acquired loans.

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Note 2 Summary of Significant Accounting Policies (continued)

Pursuant to an AICPA letter dated December 18, 2009, the AICPA summarized the view of the SEC regarding the accounting in subsequent periods for discount accretion associated with loan receivables acquired in a business combination or asset purchase. Regarding the accounting for such loan receivables, that in the absence of further standard setting, the AICPA understands that the SEC would not object to an accounting policy based on contractual cash flows (FASB ASC Topic 310-20 approach) or an accounting policy based on expected cash flows (FASB ASC Topic 310-30 approach). Management believes the approach using expected cash flows is a more appropriate option to follow in accounting for the fair value discount.

Subsequent to the acquisition date, increases in cash flows expected to be received in excess of the Company s initial investment in the loans should be accreted into interest income on a level-yield basis over the life of the loan. Decreases in cash flows expected to be collected should be recognized as impairment through the provision for loan losses. The FDIC indemnification asset will be adjusted in a similar, consistent manner with increases and decreases in expected cash flows, through the income statement in non-interest income.

The FDIC indemnification asset is measured separately from the related covered asset as it is not contractually embedded in the assets and is not transferable with the assets should the Company choose to dispose of them. Fair value was estimated using projected cash flows related to the loss sharing agreements based on the expected reimbursements for losses and the applicable loss sharing percentages. These expected reimbursements do not include reimbursable amounts related to future covered expenditures. These cash flows were discounted to reflect the uncertainty of the timing and receipt of the loss sharing reimbursement from the FDIC.

The Company incurs expenses related to the assets indemnified by the FDIC and, pursuant to the loss share agreement, certain costs are reimbursable by the FDIC and are included in monthly and quarterly claims made by the Company. The estimates of reimbursements are netted against these covered expenses in the statements of income.

Note 3 Recent Accounting and Regulatory Pronouncements

The enactment of the *Dodd-Frank Wall Street Reform and Consumer Protection Act* (the Dodd-Frank Act) will result in expansive changes in many areas affecting the financial services industry in general and the Company in particular. The legislation provides broad economic oversight, consumer financial services protection, investor protection, rating agency reform and derivative regulatory reform. Various corporate governance requirements will result in expanded proxy disclosures and shareholder rights. Additional provisions address the mortgage industry in an effort to strengthen lending practices. Deposit insurance reform will result in permanent FDIC protection for up to $250,000 of deposits and will require the FDIC s Deposit Insurance Fund to maintain 1.35 percent of insured deposits with the burden for closing any shortfall falling to banks with more than $10.0 billion in assets. Provisions within the Dodd-Frank Act will prohibit institutions that had more than $15 billion in assets on December 31, 2009 from including trust preferred securities (TRUPs) as Tier 1 capital beginning in 2013. One third will be phased out over the next two years ending in 2015. Financial institutions with less than $15 billion in total assets, such as the Company, may continue to count their pre-May 19, 2010, TRUPs as Tier 1 capital, but may not issue new capital TRUPs. The Dodd-Frank Act also requires new limits on interchange transaction fees that banks receive from merchants via card networks like Visa, Inc. and MasterCard, Inc. when a customer uses a debit card. In June 2011, the Federal Reserve approved a final debit card interchange rule in accordance with the Dodd-Frank Act. The final rule caps an issuer s base fee at 21 cents per transaction and allows an additional 5 basis point charge per transaction to help cover fraud losses. Although the rule technically does not apply to institutions with less than $10 billion in assets, such as the Bank, the price controls may affect institutions with less than $10 billion in assets, such as the Bank, which could be pressured by the marketplace to lower their own interchange rates. We believe that regulations promulgated under the Dodd-Frank Act also will ultimately impose significant new compliance costs associated with the new regulations. We will continue to monitor the regulations as they are implemented and will review our policies, products and procedures to insure full compliance but also attempt to minimize any negative impact on our operations. On July 21, 2011, the Federal Reserve s Final Rule repealing Regulation Q, which prohibited Federal Reserve banks from paying interest on demand deposits, became effective. As a result of this repeal, our Bank may incur increased interest costs for funding in the form of interest payments on demand deposit accounts.

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Note 3 Recent Accounting and Regulatory Pronouncements (continued)

Effective December 31, 2010, SCBT adopted certain of the key provisions of Accounting Standards Update (ASU) No. 2010-20, *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses,* (ASU 2010-20). ASU 2010-20 amends ASC 310 by requiring more robust and disaggregated disclosures about the credit quality of an entity s financing receivables and its allowance for credit losses. The objective of enhancing these disclosures is to improve financial statement users understanding of (1) the nature of an entity s credit risk associated with its financing receivables and (2) the entity s assessment of that risk in estimating its allowance for credit losses as well as changes in the allowance and reasons for those changes. The new and amended disclosures in the ASU were effective December 31, 2010, and are included in Note 6 Loans and Allowance for Loan Losses. The disclosure for the activity in the allowance for credit losses for each period became effective for the first quarter of 2011. In January 2011, the FASB issued ASU No. 2011-01, *Receivables (Topic 310): Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings in Update No. 2010-20.* The amendments in ASU 2011-01 temporarily delayed the effective date of the disclosures about troubled debt restructurings in ASU 2010-20 for public entities. In April 2011, the FASB issued ASU 2011-02, *Receivables (Topic 310): A Creditor s Determination of Whether a Restructuring Is a Troubled Debt Restructuring*. The update provides additional guidance to assist creditors in determining whether a restructuring of a receivable meets the criteria to be considered a TDR, both for purposes of recording impairment and disclosing TDRs. A restructuring of a credit arrangement constitutes a TDR if the restructuring constitutes a concession, and the debtor is experiencing financial difficulties. The

clarifications for classification apply to all restructurings occurring on or after January 1, 2011. The measurement of impairment for those newly identified TDRs will be applied prospectively beginning in the third quarter of 2011. The related disclosures which were previously deferred will be required for the interim reporting period ending September 30, 2011. The impact of adoption for SCBT is the inclusion of additional disclosures in SCBT s consolidated financial statements.

Note 4 Mergers and Acquisitions

Generally, acquisitions are accounted for under the acquisition method of accounting in accordance with FASB ASC 805, *Business Combinations*. Both the purchased assets and liabilities assumed are recorded at their respective acquisition date fair values. Determining the fair value of assets and liabilities, especially the loan portfolio and foreclosed real estate, is a complicated process involving significant judgment regarding methods and assumptions used to calculate estimated fair values. Fair values are preliminary and subject to refinement for up to one year after the closing date of the acquisition as additional information regarding the closing date fair values becomes available.

Habersham Bank Acquisition

On February 18, 2011, the Company s wholly-owned subsidiary, SCBT, N.A. (the Bank), entered into a purchase and assumption (P&A) agreement with loss share arrangements with the FDIC to purchase certain assets and assume substantially all of the deposits and certain liabilities of Habersham, a full service Georgia state-chartered community bank headquartered in Clarkesville, Georgia. Habersham operated eight branches in the northeast region of Georgia.

Pursuant to the P&A agreement, the Bank received a discount of $38.3 million on the assets acquired and did not pay the FDIC a premium to assume all customer deposits. Most of the loans and foreclosed real estate purchased are covered by a loss share agreement between the FDIC and the Bank. Under this loss share agreement, the FDIC has agreed to cover 80% of loan and foreclosed real estate losses. Gains and recoveries on covered assets will offset losses, or be paid to the FDIC, at the applicable loss share percentage at the time of recovery. The loss sharing agreement applicable to single family residential mortgage loans provides for FDIC loss sharing and Bank reimbursement to the FDIC for ten years. The loss share agreement applicable to commercial loans provides for FDIC loss sharing for five years and Bank reimbursement to the FDIC for eight years. As of the date of acquisition, we calculated the amount of such reimbursements that we expect to receive from the FDIC using the present value of anticipated cash flows from the covered assets based on the credit adjustments estimated for each pool of loans and the estimated losses on foreclosed assets. In accordance with FASB ASC Topic 805, the FDIC indemnification asset was initially recorded at its fair value, and is measured separately from the loan assets and foreclosed assets because the loss sharing agreements are not contractually embedded in them or transferable with them in the event of disposal. The balance of the FDIC indemnification asset increases and decreases as the expected and actual cash flows from the covered assets fluctuate, as loans are paid off or impaired and as loans and foreclosed assets are sold. There are no contractual interest rates on this contractual receivable from the FDIC; however, a discount was recorded against the initial balance of the FDIC indemnification asset in conjunction with the fair value measurement as this receivable will be collected over the term of the loss sharing agreement. This discount will be accreted to non-interest income over future periods.

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Note 4 Mergers and Acquisitions (continued)

The Bank did not immediately acquire the real estate, banking facilities, furniture or equipment of Habersham as a part of the P&A agreement. However, the Bank had the option to purchase the real estate and furniture and equipment from the FDIC. The term of this option expired on May 19, 2011. On May 19, 2011, the Bank notified the FDIC that it planned to acquire four bank facilities with an appraised value of approximately $6.7 million. In addition, the Bank notified the FDIC that it plans to purchase approximately $362,000 of furniture or equipment related to five locations being retained by the Bank. The Bank will settle this purchase along with other settlement items identified no later than February 17, 2012, and currently has a payable of $4.3 million as of June 30, 2011. These five banking facilities include both leased and owned locations. In June of 2011, the Bank closed 3 bank branches and converted the operating system of the acquired Georgia franchise.

As of June 30, 2011, there have been no adjustments or changes to the initial fair values related to the Habersham acquisition. The purchase accounting adjustments and the loss sharing arrangement with the FDIC significantly impact the effects of the acquired entity on the ongoing operations of the Company. Disclosure of pro forma financial information is also made more difficult by the troubled nature of Habersham prior to the date of the combination.

As of June 30, 2011, noninterest income included a pre-tax gain of $5.5 million which resulted from the acquisition of Habersham. The amount of the gain was equal to the amount by which the fair value of assets acquired exceeded the fair value of liabilities assumed, and resulted from the discount bid on the assets acquired and the impact of the FDIC loss share agreement, both of which are attributable to the troubled nature of Habersham prior to the acquisition. The Company recognized $598,000 and $1.2 million in merger-related expense during the three months and six months ended June 30, 2011.

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Note 4 Mergers and Acquisitions (continued)

The following table presents the assets acquired and liabilities assumed as of February 18, 2011, as recorded by Habersham on the acquisition date and as adjusted for purchase accounting adjustments.

(Dollars in thousands)	As Recorded by Habersham	Balances Kept by FDIC	Balances Acquired from FDIC	Fair Value Adjustments	As Recorded by SCBT
Assets					
Cash and cash equivalents	$ 31,924	$ (4)	$ 31,920	$	$ 31,920
Investment securities	65,018	(3,582)	61,436	(566)(a)	60,870
Loans	212,828	9,039	221,867	(94,414)(b)	127,453
Premises and equipment	16,915	(16,915)			
Intangible assets				3,262(c)	3,262
FDIC receivable for loss sharing agreement				87,418(d)	87,418
Other real estate owned and repossessed assets	42,024	(616)	41,408	(26,915)(e)	14,493
Other assets	14,446	(11,227)	3,219		3,219
Total assets	$ 383,155	$ (23,305)	$ 359,850	$ (31,215)	$ 328,635
Liabilities					
Deposits:					
Noninterest-bearing	$ 76,205	$ (5)	$ 76,200	$	$ 76,200
Interest-bearing	263,246		263,246	1,203(f)	264,449
Total deposits	339,451	(5)	339,446	1,203	340,649
Other borrowings	39,433	(6)	39,427	344(g)	39,771
Other liabilities	2,819	(1,710)	1,109		1,109
Total liabilities	381,703	(1,721)	379,982	1,547	381,529
Net assets acquired over liablities assumed	$ 1,452	$ (21,584)	$ (20,132)	$ (32,762)	$ (52,894)
Excess of assets acquired over liabilities assumed	$ 1,452	$ (21,584)	$ (20,132)		
Aggregate fair value adjustments				$ (32,762)	
Cash received from the FDIC					$ 59,360
Cash due to FDIC					(938)
Total					58,422
Gain on acquisition (noninterest income)					$ 5,528

Explanation of fair value adjustments

Adjustment reflects:

(a) Adjustment reflects marking the available-for-sale portfolio to fair value as of the acquisition date.

(b) Adjustment reflects the fair value adjustments based on the Company s evaluation of the acquired loan portfolio.

(c) Adjustment reflects the recording of the core deposit intangible on the acquired deposit accounts.

(d) Adjustment reflects the estimated fair value of payments the Company will receive from the FDIC under the loss share agreements.

(e) Adjustment reflects the fair value adjustments to OREO based on the Company s evaluation of the acquired OREO portfolio.

(f) Adjustment arises since the rates on interest-bearing deposits are higher than rates available on similar deposits as of the acquisition date.

(g) Adjustment reflects the prepayment fee paid when Federal Home Loan Bank (FHLB) advances were completely paid off in February 2011.

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Note 4 Mergers and Acquisitions (continued)

Community Bank and Trust Acquisition

On January 29, 2010, the Bank entered into a P&A agreement, including loss share arrangements, with the FDIC to purchase certain assets and assume substantially all of the deposits and certain liabilities of CBT, a full service Georgia state-chartered community bank headquartered in Cornelia, Georgia. CBT operated 38 locations, including 36 branches, one loan production office and one trust office in the northeast region of Georgia.

Pursuant to the P&A agreement, the Bank received a discount of $158.0 million on the assets acquired and did not pay the FDIC a premium to assume all customer deposits. The loans and foreclosed real estate purchased are covered by a loss share agreement between the FDIC and the Bank. Under this loss share agreement, the FDIC has agreed to cover 80% of loan and foreclosed real estate losses up to $233.0 million and 95% of losses that exceed that amount. Gains and recoveries on covered assets will offset losses, or be paid to the FDIC, at the applicable loss share percentage at the time of recovery. The loss sharing agreement applicable to single family residential mortgage loans provides for FDIC loss sharing and Bank reimbursement to the FDIC for ten years. The loss share agreement applicable to commercial loans provides for FDIC loss sharing for five years and Bank reimbursement to the FDIC for eight years. The loss share agreement applicable to single family loans provides for FDIC loss sharing for ten years and Bank reimbursement to the FDIC for ten years. As of the date of acquisition, we calculated the amount of such reimbursements that we expect to receive from the FDIC using the present value of anticipated cash flows from the covered assets based on the credit adjustments estimated for each pool of loans and the estimated losses on foreclosed assets. In accordance with FASB ASC Topic 805, the FDIC indemnification asset was initially recorded at its fair value, and is measured separately from the loan assets and foreclosed assets because the loss sharing agreements are not contractually embedded in them or transferable with them in the event of disposal. The balance of the FDIC indemnification asset increases and decreases as the expected and actual cash flows from the covered assets fluctuate, as loans are paid off or impaired and as loans and foreclosed assets are sold. There are no contractual interest rates on this contractual receivable from the FDIC; however, a discount was recorded against the initial balance of the FDIC indemnification asset in conjunction with the fair value measurement as this receivable will be collected over the term of the loss sharing agreements. This discount will be accreted to non-interest income over future periods.

The Bank did not immediately acquire the real estate, banking facilities, furniture or equipment of CBT as a part of the P&A agreement. However, on October 27, 2010, the Bank acquired seven bank facilities with an appraised value of approximately $10.9 million. In addition, the Bank purchased approximately $700,000 of furniture or equipment related to 27 locations retained by the Bank. In late May and early June of 2010, the Bank closed 10 bank branches, 1 trust office, and converted the operating system of the acquired Georgia franchise.

There were no adjustments or changes to the initial fair values related to the CBT acquisition within the one year time frame from the date of acquisition. The purchase accounting adjustments and the loss sharing arrangement with the FDIC will significantly impact the effects of the acquired entity on the ongoing operations of the Company.

For the year ended December 31, 2010, noninterest income included a pre-tax gain of $98.1 million as a result of the acquisition of CBT. The amount of the gain was equal to the amount by which the fair value of assets acquired exceeded the fair value of liabilities assumed, and resulted from the discount bid on the assets acquired and the impact of the FDIC loss share agreement, both of which are attributable to the troubled nature of CBT prior to the acquisition. The Company recognized $5.5 million in merger-related expense during the twelve months ended December 31, 2010.

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Note 4 Mergers and Acquisitions (continued)

The following table presents the assets acquired and liabilities assumed as of January 29, 2010, as recorded by CBT on the acquisition date and as adjusted for purchase accounting adjustments.

(Dollars in thousands)	As Recorded by CBT	Balances Kept by FDIC	Balances Acquired from FDIC	Fair Value Adjustments	As Recorded by SCBT
Assets					
Cash and cash equivalents	$ 80,615	$ (12)	$ 80,603	$	$ 80,603
Investment securities	116,270	(10,046)	106,224	(613)(a)	105,611
Loans	828,223	(56,725)	771,498	(312,033)(b)	459,465
Premises and equipment	24,063	(24,015)	48		48
Intangible assets				8,535(c)	8,535
FDIC receivable for loss sharing agreement				276,789(d)	276,789
Other real estate owned and repossessed assets	46,271	4,852	51,123	(25,194)(e)	25,929
Other assets	26,414	(18,541)	7,873		7,873
Total assets	$ 1,121,856	$ (104,487)	$ 1,017,369	$ (52,516)	$ 964,853
Liabilities					
Deposits:					
Noninterest-bearing	$ 107,617	$ (11,602)	$ 96,015	$	$ 96,015
Interest-bearing	907,288	311	907,599	4,892(f)	912,491
Total deposits	1,014,905	(11,291)	1,003,614	4,892	1,008,506
Other borrowings	80,250		80,250	2,316(g)	82,566
Other liabilities	10,748	(3,614)	7,134	194(h)	7,328
Total liabilities	1,105,903	(14,905)	1,090,998	7,402	1,098,400
Net assets acquired over liablities assumed	$ 15,953	$ (89,582)	$ (73,629)	$ (59,918)	$ (133,547)
Excess of assets acquired over liabilities assumed	$ 15,953	$ (89,582)	$ (73,629)		
Aggregate fair value adjustments				$ (59,918)	
Cash received from the FDIC					$ 225,695
Cash due from FDIC					5,933
Total					231,628
Gain on acquisition (noninterest income)					$ 98,081

Explanation of fair value adjustments

Adjustment reflects:

(a) Adjustment reflects marking the available-for-sale portfolio to fair value as of the acquisition date.

(b) Adjustment reflects the fair value adjustments based on the Company s evaluation of the acquired loan portfolio.

(c) Adjustment reflects the recording of the core deposit intangible on the acquired deposit accounts.

(d) Adjustment reflects the estimated fair value of payments the Company will receive from the FDIC under the loss share agreements.

(e) Adjustment reflects the fair value adjustments to OREO based on the Company s evaluation of the acquired OREO portfolio.

(f) Adjustment arises since the rates on interest-bearing deposits are higher than rates available on similar deposits as of the acquisition date.

(g) Adjustment reflects the prepayment penalty paid when FHLB advances were completely paid off in early February 2010.

(h) Adjustment reflects the fair value of leases assumed.

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Note 5 Investment Securities

The following is the amortized cost and fair value of investment securities held to maturity:

(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
June 30, 2011:				
State and municipal obligations	**$ 19,100**	**$ 734**	**$**	**$ 19,834**
December 31, 2010:				
State and municipal obligations	$ 19,941	$ 227	$ (18)	$ 20,150
June 30, 2010:				
State and municipal obligations	$ 20,092	$ 506	$ (14)	$ 20,584

The following is the amortized cost and fair value of investment securities available for sale:

(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
June 30, 2011:				
Government-sponsored enterprises debt *	**$ 57,729**	**$ 1,085**	**$**	**$ 58,814**
State and municipal obligations	**38,893**	**1,621**	**(137)**	**40,377**
Mortgage-backed securities **	**106,968**	**3,427**	**(19)**	**110,376**
Corporate stocks	**255**	**139**	**(5)**	**389**
	$ 203,845	**$ 6,272**	**$ (161)**	**$ 209,956**
December 31, 2010:				
Government-sponsored enterprises debt *	$ 69,854	$ 844	$ (164)	$ 70,534
State and municipal obligations	39,749	680	(425)	40,004
Mortgage-backed securities **	83,045	1,752	(357)	84,440
Trust preferred (collateralized debt obligations)	2,324		(290)	2,034
Corporate stocks	256	106		362
	$ 195,228	$ 3,382	$ (1,236)	$ 197,374
June 30, 2010:				
Government-sponsored enterprises debt *	$ 111,383	$ 1,909	$ (2)	$ 113,290
State and municipal obligations	40,495	1,330	(373)	41,452
Mortgage-backed securities **	85,789	4,998		90,787
Trust preferred (collateralized debt obligations)	5,883		(123)	5,760
Corporate stocks	285	89	(19)	355
	$ 243,835	$ 8,326	$ (517)	$ 251,644

* - Government-sponsored enterprises holdings are comprised of debt securities offered by Federal Home Loan Mortgage Corporation (FHLMC) or Freddie Mac, Federal National Mortgage Association (FNMA) or Fannie Mae, FHLB, and Federal Farm Credit Banks (FFCB).

** - All of the mortgage-backed securities are issued by government-sponsored enterprises; there are no private-label holdings.

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Note 5 Investment Securities (continued)

The following is the amortized cost and fair value of other investment securities:

(Dollars in thousands)		Amortized Cost		Gross Unrealized Gains		Gross Unrealized Losses		Fair Value
June 30, 2011:								
Federal Reserve Bank stock	**$**	**6,617**	**$**		**$**		**$**	**6,617**
Federal Home Loan Bank stock		**12,478**						**12,478**
Investment in unconsolidated subsidiaries		**1,332**						**1,332**
	$	**20,427**	**$**		**$**		**$**	**20,427**
December 31, 2010:								
Federal Reserve Bank stock	$	5,987	$		$		$	5,987
Federal Home Loan Bank stock		13,278						13,278
Investment in unconsolidated subsidiaries		1,332						1,332
	$	20,597	$		$		$	20,597
June 30, 2010:								
Federal Reserve Bank stock	$	5,987	$		$		$	5,987
Federal Home Loan Bank stock		14,862						14,862
Investment in unconsolidated subsidiaries		1,332						1,332
	$	22,181	$		$		$	22,181

The Company has determined that the investment in Federal Reserve Bank stock and FHLB stock is not other than temporarily impaired as of June 30, 2011 and ultimate recoverability of the par value of these investments is probable. See Other Investments under Item 2 Management s Discussion and Analysis of Financial Condition and Results of Operations.

The amortized cost and fair value of debt securities at June 30, 2011 by contractual maturity are detailed below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without prepayment penalties.

	Securities Held to Maturity				Securities Available for Sale			
(Dollars in thousands)		Amortized Cost		Fair Value		Amortized Cost		Fair Value
Due in one year or less	$		$		$	5	$	5
Due after one year through five years		662		671		6,438		6,513
Due after five years through ten years		5,778		6,003		52,925		54,007
Due after ten years		12,660		13,160		144,477		149,431
	$	19,100	$	19,834	$	203,845	$	209,956

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Note 5 Investment Securities (continued)

Information pertaining to the Company s securities available for sale with gross unrealized losses at June 30, 2011, December 31, 2010 and June 30, 2010, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position is as follows:

	Less Than Twelve Months				Twelve Months or More			
(Dollars in thousands)		Gross Unrealized Losses		Fair Value		Gross Unrealized Losses		Fair Value
June 30, 2011:								
Securities Held to Maturity								
State and municipal obligations	**$**		**$**		**$**		**$**	
Securities Available for Sale								
State and municipal obligations	**$**	**55**	**$**	**3,927**	**$**	**82**	**$**	**913**
Mortgage-backed securities		**19**		**7,910**				
Corporate stocks		**5**		**20**				
	$	**79**	**$**	**11,857**	**$**	**82**	**$**	**913**
December 31, 2010:								
Securities Held to Maturity								
State and municipal obligations	$	18	$	3,050	$		$	
Securities Available for Sale								
Government-sponsored enterprises debt	$	164	$	26,138	$		$	
State and municipal obligations		229		12,402		196		1,350
Mortgage-backed securities		357		31,547				
Trust preferred (collateralized debt obligations)						290		2,034
	$	750	$	70,087	$	486	$	3,384
June 30, 2010:								
Securities Held to Maturity								
State and municipal obligations	$		$		$	14	$	808
Securities Available for Sale								
Government-sponsored enterprises debt	$	2	$	2,574	$		$	
State and municipal obligations		55		2,563		319		4,322
Trust preferred (collateralized debt obligations)						122		2,450
Corporate stocks		19		150				
	$	76	$	5,287	$	441	$	6,772

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Note 6 Loans and Allowance for Loan Losses

The following is a summary of non-acquired loans:

(Dollars in thousands)	June 30, 2011	December 31, 2010	June 30, 2010
Non-acquired loans:			
Commercial non-owner occupied real estate:			
Construction and land development	**$ 338,288**	391,987	$ 422,866
Commercial non-owner occupied	**306,698**	320,203	308,980
Total commercial non-owner occupied real estate	**644,986**	712,190	731,846
Consumer real estate:			
Consumer owner occupied	**367,910**	325,470	307,398
Home equity loans	**263,667**	263,961	251,951
Total consumer real estate	**631,577**	589,431	559,349
Commercial owner occupied real estate	**669,223**	578,587	502,795
Commercial and industrial	**215,901**	202,987	212,863
Other income producing property	**133,152**	124,431	126,004
Consumer	**80,072**	67,768	63,133
Other loans	**30,702**	20,806	31,452
Total non-acquired loans	**2,405,613**	2,296,200	2,227,442
Less, allowance for loan losses	**(48,180)**	(47,512)	(46,167)
Non-acquired loans, net	**$ 2,357,433**	$ 2,248,688	$ 2,181,275

In accordance with FASB ASC Topic 310-30, the Company aggregated acquired loans that have common risk characteristics into pools within the following loan categories: commercial loans greater than or equal to $1 million, commercial real estate, commercial real estate construction and development, residential real estate, residential real estate junior lien, home equity, consumer, commercial and industrial, and single pay. Substantially all of the acquired loans are covered under FDIC loss share agreements.

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Note 6 Loans and Allowance for Loan Losses (continued)

The Company s acquired loan portfolio is comprised of the following balances net of related discount:

(Dollars in thousands)	June 30, 2011 Loans Impaired at Acquisition	Loans Not Impaired at Acquisition	Total
Acquired loans:			
Commercial loans greater than or equal to $1 million	**$ 25,740**	**$ 40,994**	**$ 66,734**
Commercial real estate	**37,035**	**47,893**	**84,928**
Commercial real estate construction and development	**32,465**	**18,685**	**51,150**
Residential real estate	**53,119**	**61,919**	**115,038**
Residential real estate junior lien	**1,265**	**1,314**	**2,579**
Home equity	**479**	**930**	**1,409**
Consumer	**8,281**	**3,440**	**11,721**
Commercial and industrial	**10,764**	**20,808**	**31,572**
Single pay	**2,031**	**329**	**2,360**
Total acquired loans	**$ 171,179**	**$ 196,312**	**$ 367,491**
Less, allowance for loan losses	**(13,695)**		**(13,695)**
Acquired loans, net	**$ 157,484**	**$ 196,312**	**$ 353,796**

(Dollars in thousands)	December 31, 2010 Loans Impaired at Acquisition	Loans Not Impaired at Acquisition	Total
Acquired loans:			
Commercial loans greater than or equal to $1 million	$ 32,744	$ 51,544	$ 84,288
Commercial real estate	21,302	45,326	66,628
Commercial real estate construction and development	15,262	17,050	32,312
Residential real estate	45,299	42,246	87,545
Residential real estate junior lien	2,100	1,573	3,673
Home equity	496	1,023	1,519
Consumer	5,879	5,036	10,915
Commercial and industrial	10,821	13,921	24,742
Single pay	9,156	260	9,416
Total acquired loans	$ 143,059	$ 177,979	$ 321,038

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Note 6 Loans and Allowance for Loan Losses (continued)

(Dollars in thousands)	June 30, 2010 Loans Impaired at Acquisition	Loans Not Impaired at Acquisition	Total
Acquired loans:			
Commercial loans greater than or equal to $1 million	$ 48,441	$ 55,821	$ 104,262
Commercial real estate	28,913	51,869	80,782
Commercial real estate construction and development	29,967	19,497	49,464
Residential real estate	62,241	48,217	110,458
Residential real estate junior lien	2,172	2,167	4,339
Home equity	645	1,199	1,844
Consumer	9,501	7,795	17,296
Commercial and industrial	12,649	16,615	29,264
Single pay	15,069	771	15,840
Total acquired loans	$ 209,598	$ 203,951	$ 413,549

Contractual loan payments receivable, estimates of amounts not expected to be collected, other fair value adjustments and the resulting fair values of acquired loans impaired and non-impaired at the acquisition date for Habersham (February 18, 2011) are as follows:

(Dollars in thousands)	February 18, 2011 Loans Impaired at Acquisition	Loans Not Impaired at Acquisition	Total
Contractual principal and interest	$ 132,386	$ 135,500	$ 267,886
Non-accretable difference	(68,996)	(43,322)	(112,318)
Cash flows expected to be collected	63,390	92,178	155,568
Accretable yield	(8,747)	(19,368)	(28,115)
Carrying value	$ 54,643	$ 72,810	$ 127,453

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Note 6 Loans and Allowance for Loan Losses (continued)

Contractual loan payments receivable, estimates of amounts not expected to be collected, other fair value adjustments and the resulting fair values of acquired loans impaired and non-impaired as of June 30, 2011, December 31, 2010, and June 30, 2010 - refined are as follows:

	June 30, 2011		
(Dollars in thousands)	**Loans Impaired at Acquisition**	**Loans Not Impaired at Acquisition**	**Total**
Contractual principal and interest	$ 378,806	$ 317,924	$ 696,730
Non-accretable difference	(173,183)	(63,997)	(237,180)
Cash flows expected to be collected	205,623	253,927	459,550
Accretable yield	(34,444)	(57,615)	(92,059)
Carrying value	$ 171,179	$ 196,312	$ 367,491

	December 31, 2010		
(Dollars in thousands)	**Loans Impaired at Acquisition**	**Loans Not Impaired at Acquisition**	**Total**
Contractual principal and interest	$ 301,080	$ 303,153	$ 604,233
Non-accretable difference	(140,723)	(97,788)	(238,511)
Cash flows expected to be collected	160,357	205,365	365,722
Accretable yield	(17,298)	(27,386)	(44,684)
Carrying value	$ 143,059	$ 177,979	$ 321,038

	June 30, 2010		
(Dollars in thousands)	**Loans Impaired at Acquisition**	**Loans Not Impaired at Acquisition**	**Total**
Contractual principal and interest	$ 421,213	$ 322,513	$ 743,726
Non-accretable difference	(208,981)	(102,054)	(311,035)
Cash flows expected to be collected	212,232	220,459	432,691
Accretable yield	(2,634)	(16,508)	(19,142)
Carrying value	$ 209,598	$ 203,951	$ 413,549

Income on acquired loans that are not impaired at the acquisition date is recognized in the same manner as loans impaired at the acquisition date. A portion of the fair value discount on acquired non-impaired loans has been ascribed as an accretable yield that is accreted into interest income over the estimated remaining life of the loans. The remaining nonaccretable difference represents cash flows not expected to be collected.

The unpaid principal balance for acquired loans was $571.8 million at June 30, 2011, $519.2 million at December 31, 2010 and $694.5 million at June 30, 2010.

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Note 6 Loans and Allowance for Loan Losses (continued)

The following are changes in the carrying value of acquired loans at the acquisition date during the periods ended June 30, 2011 and 2010:

(Dollars in thousands)	Loans Impaired at Acquisition	Loans Not Impaired at Acquisition	Total
Balance, December 31, 2010	**$ 143,059**	**$ 177,979**	**$ 321,038**
Fair value of acquired loans	**54,643**	**72,810**	**127,453**
Reductions for payments and foreclosures	**(26,523)**	**(54,477)**	**(81,000)**
Change in the acquired allowance for loan losses	**(13,695)**		**(13,695)**
Balance, June 30, 2011	**$ 157,484**	**$ 196,312**	**$ 353,796**
Balance, December 31, 2009	$	$	$
Fair value of acquired loans	233,236	226,229	459,465
Reductions for payments and foreclosures	(23,638)	(22,278)	(45,916)
Balance, June 30, 2010	$ 209,598	$ 203,951	$ 413,549

The following are changes in the carrying amount of accretable difference for purchased impaired and non-impaired loans for the period ended June 30, 2011:

Beginning balance December 31, 2010	$ 44,684
Addition from the Habersham acquisition	28,115
Interest income	(18,702)
Improved cash flows affecting nonaccretable difference	42,266
Other changes, net	(4,304)
Ending balance, June 30, 2011	$ 92,059

On December 13, 2006, the OCC, Federal Reserve, FDIC, and other regulatory agencies collectively revised the banking agencies 1993 policy statement on the allowance for loan and lease losses to ensure consistency with generally accepted accounting principles in the United States and more recent supervisory guidance. Our loan loss policy adheres to the interagency guidance.

The allowance for loan losses is based upon estimates made by management. We maintain an allowance for loan losses at a level that we believe is appropriate to cover estimated credit losses on individually evaluated loans that are determined to be impaired as well as estimated credit losses inherent in the remainder of our loan portfolio. Arriving at the allowance involves a high degree of management judgment and results in a range of estimated losses. We regularly evaluate the adequacy of the allowance through our internal risk rating system, outside credit review, and regulatory agency examinations to assess the quality of the loan portfolio and identify problem loans. The evaluation process also includes our analysis of current economic conditions, composition of the loan portfolio, past due and nonaccrual loans, concentrations of credit, lending policies and procedures, and historical loan loss experience. The provision for loan losses is charged to expense in an amount necessary to maintain the allowance at an appropriate level.

The allowance consists of general and specific reserves. The general reserves are determined by applying loss percentages to the portfolio that are based on historical loss experience for each class of loans and management s evaluation and risk grading of the loan portfolio. Additionally, the general economic and business conditions affecting key lending areas, credit quality trends, collateral values, loan volumes and concentrations, seasoning of the loan portfolio, the findings of internal and external credit reviews and results from external bank regulatory examinations are included in this evaluation. Currently, these adjustments are applied to the portfolio when estimating the level of reserve required. The specific reserves are determined on a loan-by-loan basis based on management s evaluation of our exposure for each credit, given the current payment status of the loan and the value of any underlying collateral. These are loans classified by management as doubtful, substandard or special mention. For such loans that are also classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. Generally, the need for a specific reserve is evaluated on impaired loans greater than $250,000. Loans that are determined to be impaired are provided a specific reserve, if necessary, and are excluded from the calculation of the general reserves.

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Note 6 Loans and Allowance for Loan Losses (continued)

In determining the acquisition date fair value of purchased loans, and in subsequent accounting, SCBT generally aggregates purchased loans into pools of loans with common risk characteristics. Expected cash flows at the acquisition date in excess of the fair value of loans are recorded as interest income over the life of the loans using a level yield method if the timing and amount of the future cash flows of the pool is reasonably estimable. Subsequent to the acquisition date, increases in cash flows over those expected at the acquisition date are recognized as interest income prospectively. Decreases in expected cash flows after the acquisition date are recognized by recording an allowance for loan losses. Evidence of credit quality deterioration for the loan pools may include information such as increased past-due and nonaccrual levels and migration in the pools to lower loan grades. To determine the reserve needed by loan pool, credit risk is assessed each quarter relative to grade, past due status, and accruing status of each loan with the loan pools. Offsetting the impact of the provision established for the loan, the receivable from the FDIC is adjusted to reflect the indemnified portion of the post-acquisition exposure with a corresponding credit to the provision for loan losses. (For further discussion of the Company s allowance for loan losses on acquired loans, see Note 1 Summary of Significant Accounting Policies and Note 4 Mergers and Acquisitions.)

An aggregated analysis of the changes in allowance for loan losses for the three and six months ended June 30 is as follows:

(Dollars in thousands)		Non-acquired Loans		Acquired Loans		Total
Three months ended June 30, 2011:						
Balance at beginning of period	**$**	**48,164**	**$**	**25,833**	**$**	**73,997**
Loans charged-off		**(4,770)**		**(11,850)**		**(16,620)**
Recoveries of loans previously charged off		**557**				**557**
Net charge-offs		**(4,213)**		**(11,850)**		**(16,063)**
Provision for loan losses		**4,229**		**(288)**		**3,941**
Benefit attributable to FDIC loss share agreements				**274**		**274**
Total provision for loan losses charged to operations		**4,229**		**(14)**		**4,215**
Provision for loan losses recorded through the FDIC loss share receivable				**(274)**		**(274)**
Balance at end of period	**$**	**48,180**	**$**	**13,695**	**$**	**61,875**
Three months ended June 30, 2010:						
Balance at beginning of period	$	41,397	$		$	41,397
Loans charged-off		(8,173)				(8,173)
Recoveries of loans previously charged off		434				434
Net charge-offs		(7,739)				(7,739)
Provision for loan losses		12,509				12,509
Balance at end of period	$	46,167	$		$	46,167

(Dollars in thousands)		Non-acquired Loans		Acquired Loans		Total
Six months ended June 30, 2011:						
Balance at beginning of period	**$**	**47,512**	**$**		**$**	**47,512**
Loans charged-off		**(14,092)**		**(11,850)**		**(25,942)**
Recoveries of loans previously charged off		**1,182**				**1,182**

Net charge-offs		**(12,910)**		**(11,850)**		**(24,760)**
Provision for loan losses		**13,578**		**25,545**		**39,123**
Benefit attributable to FDIC loss share agreements				**(24,267)**		**(24,267)**
Total provision for loan losses charged to operations		**13,578**		**1,278**		**14,856**
Provision for loan losses recorded through the FDIC loss share receivable				**24,267**		**24,267**
Balance at end of period	**$**	**48,180**	**$**	**13,695**	**$**	**61,875**
Six months ended June 30, 2010:						
Balance at beginning of period	$	37,488	$		$	37,488
Loans charged-off		(25,543)				(25,543)
Recoveries of loans previously charged off		935				935
Net charge-offs		(24,608)				(24,608)
Provision for loan losses		33,287				33,287
Balance at end of period	$	46,167	$		$	46,167

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Note 6 Loans and Allowance for Loan Losses (continued)

The following tables present a disaggregated analysis of activity in the allowance for loan losses and loan balances for non-acquired loans for the three months ended June 30, 2011and June 30, 2010.

(Dollars in thousands)	Construction & Land Development	Commercial Non-owner Occupied	Commerical Owner Occupied	Consumer Owner Occupied	Home Equity	Commercial & Industrial	Other Income Producing Property	Consumer	Other Loans	Total
June 30, 2011										
Allowance for loan losses:										
Balance, March 31, 2011	$ 14,130	$ 6,317	$ 7,976	$ 6,188	$ 4,477	$ 4,395	$ 3,187	$ 1,268	$ 226	$ 48,164
Charge-offs	(2,239)	(520)	(303)	(639)	(243)	(219)	(344)	(11)	(252)	(4,770)
Recoveries	141	18	7	178	33	30		47	103	557
Provision	1,516	456	677	674	136	93	246	224	207	4,229
Balance, June 30, 2011	$ 13,548	$ 6,271	$ 8,357	$ 6,401	$ 4,403	$ 4,299	$ 3,089	$ 1,528	$ 284	$ 48,180
Loans individually evaluated for impairment	$ 1,843	$ 634	$ 1,105	$	$	$	$ 156	$ 293	$	$ 4,031
Loans collectively evaluated for impairment	$ 11,705	$ 5,637	$ 7,252	$ 6,401	$ 4,403	$ 4,299	$ 2,933	$ 1,235	$ 284	$ 44,149
Loans:										
Loans individually evaluated for impairment	$ 21,965	$ 12,963	$ 11,103	$ 2,450	$	$ 1,114	$ 2,039	$	$	$ 51,634
Loans collectively evaluated for impairment	316,323	293,735	658,120	365,460	263,667	214,787	131,113	80,072	30,702	2,353,979
Total non-acquired loans	$ 338,288	$ 306,698	$ 669,223	$ 367,910	$ 263,667	$ 215,901	$ 133,152	$ 80,072	$ 30,702	$ 2,405,613

(Dollars in thousands)	Construction & Land Development	Commercial Non-owner Occupied	Commerical Owner Occupied	Consumer Owner Occupied	Home Equity	Commercial & Industrial	Other Income Producing Property	Consumer	Other Loans	Total
June 30, 2010										
Allowance for loan losses:										
Balance, March 31, 2010	$ 10,844	$ 6,002	$ 7,001	$ 5,313	$ 4,304	$ 3,891	$ 2,422	$ 1,287	$ 333	$ 41,397
Charge-offs	(3,630)	(490)	(917)	(810)	(533)	(598)	(780)	(69)	(346)	(8,173)
Recoveries	195	24	9	9	14	52		42	89	434
Provision	6,006	1,460	1,001	1,151	439	728	1,244	85	395	12,509
Balance, June 30, 2010	$ 13,415	$ 6,996	$ 7,094	$ 5,663	$ 4,224	$ 4,073	$ 2,886	$ 1,345	$ 471	$ 46,167
	$ 3,940	$ 2,614	$ 293	$ 148	$	$	$ 698	$	$	$ 7,693

Loans individually evaluated for impairment										
Loans collectively evaluated for impairment	$ 9,475	$ 4,382	$ 6,801	$ 5,515	$ 4,224	$ 4,073	$ 2,188	$ 1,345	$ 471	$ 38,474
Loans:										
Loans individually evaluated for impairment	$ 30,800	$ 11,592	$ 5,791	$ 890	$	$ 1,845	$ 3,799	$	$	$ 54,717
Loans collectively evaluated for impairment	392,066	297,388	497,004	306,508	251,951	211,018	122,205	63,133	31,452	2,172,725
Total non-acquired loans	$ 422,866	$ 308,980	$ 502,795	$ 307,398	$ 251,951	$ 212,863	$ 126,004	$ 63,133	$ 31,452	$ 2,227,442

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Note 6 Loans and Allowance for Loan Losses (continued)

The following tables present a disaggregated analysis of activity in the allowance for loan losses and loan balances for non-acquired loans for the six months ended June 30, 2011and June 30, 2010.

(Dollars in thousands)	Construction & Land Development	Commercial Non-owner Occupied	Commerical Owner Occupied	Consumer Owner Occupied	Home Equity	Commercial & Industrial	Other Income Producing Property	Consumer	Other Loans	Total
June 30, 2011										
Allowance for loan losses:										
Balance, December 31, 2010	$ 14,242	$ 6,428	$ 7,814	$ 6,060	$ 4,424	$ 4,313	$ 2,834	$ 1,191	$ 206	$ 47,512
Charge-offs	(6,777)	(1,756)	(1,032)	(1,953)	(754)	(448)	(843)	(116)	(413)	(14,092)
Recoveries	231	38	8	212	91	109	134	87	272	1,182
Provision	5,852	1,561	1,567	2,082	642	325	964	366	219	13,578
Balance, June 30, 2011	$ 13,548	$ 6,271	$ 8,357	$ 6,401	$ 4,403	$ 4,299	$ 3,089	$ 1,528	$ 284	$ 48,180
Loans individually evaluated for impairment	$ 1,843	$ 634	$ 1,105	$	$	$	$ 156	$ 293	$	$ 4,031
Loans collectively evaluated for impairment	$ 11,705	$ 5,637	$ 7,252	$ 6,401	$ 4,403	$ 4,299	$ 2,933	$ 1,235	$ 284	$ 44,149
Loans:										
Loans individually evaluated for impairment	$ 21,965	$ 12,963	$ 11,103	$ 2,450	$	$ 1,114	$ 2,039	$	$	$ 51,634
Loans collectively evaluated for impairment	316,323	293,735	658,120	365,460	263,667	214,787	131,113	80,072	30,702	2,353,979
Total non-acquired loans	$ 338,288	$ 306,698	$ 669,223	$ 367,910	$ 263,667	$ 215,901	$ 133,152	$ 80,072	$ 30,702	$ 2,405,613

(Dollars in thousands)	Construction & Land Development	Commercial Non-owner Occupied	Commerical Owner Occupied	Consumer Owner Occupied	Home Equity	Commercial & Industrial	Other Income Producing Property	Consumer	Other Loans	Total
June 30, 2010										
Allowance for loan losses:										
Balance, December 31, 2009	$ 9,169	$ 5,792	$ 5,978	$ 4,635	$ 3,751	$ 4,330	$ 2,375	$ 1,258	$ 200	$ 37,488
Charge-offs	(9,292)	(1,064)	(1,892)	(2,569)	(1,537)	(7,033)	(1,296)	(200)	(660)	(25,543)
Recoveries	402	24	10	14	18	141		92	237	938
Provision	13,136	2,415	2,998	3,583	1,992	6,635	1,807	24	694	33,284
Balance, June 30, 2010	$ 13,415	$ 7,167	$ 7,094	$ 5,663	$ 4,224	$ 4,073	$ 2,886	$ 1,174	$ 471	$ 46,167
	$ 3,940	$ 2,614	$ 293	$ 148	$	$	$ 698	$	$	$ 7,693

Loans individually evaluated for impairment										
Loans collectively evaluated for impairment	$ 9,475	$ 4,553	$ 6,801	$ 5,515	$ 4,224	$ 4,073	$ 2,188	$ 1,174	$ 471	$ 38,474
Loans:										
Loans individually evaluated for impairment	$ 30,800	$ 11,592	$ 5,791	$ 890	$	$ 1,845	$ 3,799	$	$	$ 54,717
Loans collectively evaluated for impairment	392,066	297,388	497,004	306,508	251,951	211,018	122,205	63,133	31,452	2,172,725
Total non-acquired loans	$ 422,866	$ 308,980	$ 502,795	$ 307,398	$ 251,951	$ 212,863	$ 126,004	$ 63,133	$ 31,452	$ 2,227,442

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Note 6 Loans and Allowance for Loan Losses (continued)

The following tables present a disaggregated analysis of activity in the allowance for loan losses and loan balances for acquired loans for the three months and six months ended June 30, 2011. As of June 30, 2010, no provision had been made for acquired loans.

(Dollars in thousands)	**Commercial Loans Greater Than or Equal to $1 Million**	**Commercial Real Estate**	**Commerical Real Estate-Construction and Development**	**Residential Real Estate**	**Residential Real Estate-Junior Lien**	**Home Equity**	**Consumer**	**Commercial and Industrial**	**Single Pay**	**Total**
2011										
Allowance for loan losses:										
Balance, March 31, 2011	$ 19,084	$	$	$	$ 462	$	$	$ 1,234	$ 5,053	$ 25,833
Charge-offs	(5,894)				(462)			(1,929)	(3,565)	(11,850)
Recoveries										
Provision for loan losses before benefit attibutable attibutable to FDIC loss share agreements	(2,277)	1,318		1,464				695	(1,488)	(288)
Benefit attributable to FDIC loss share agreements	2,163	(1,252)		(1,391)				(660)	1,414	274
Total provision for loan losses charged to operations	(114)	66		73				35	(74)	(14)
Provision for loan losses recorded through the FDIC loss share receivable	(2,163)	1,252		1,391				660	(1,414)	274
Balance, June 30, 2011	$ 10,913	$ 1,318	$	$ 1,464	$	$	$	$	$	$ 13,695
Loans individually evaluated for impairment	$	$	$	$	$	$	$	$	$	$
Loans collectively evaluated for impairment	$ 10,913	$ 1,318	$	$ 1,464	$	$	$	$	$	$ 13,695
Loans:										
Loans individually evaluated for impairment	$	$	$	$	$	$	$	$	$	$
Loans collectively evaluated for impairment	66,734	84,928	51,150	115,038	2,579	1,409	11,721	31,572	2,360	367,491
Total acquired loans	$ 66,734	$ 84,928	$ 51,150	$ 115,038	$ 2,579	$ 1,409	$ 11,721	$ 31,572	$ 2,360	$ 367,491

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Note 6 Loans and Allowance for Loan Losses (continued)

(Dollars in thousands)	Commercial Loans Greater Than or Equal to $1 Million	Commercial Real Estate	Commerical Real Estate-Construction and Development	Residential Real Estate	Residential Real Estate-Junior Lien	Home Equity	Consumer	Commercial and Industrial	Single Pay	Total
2011										
Allowance for loan losses:										
Balance, December 31, 2010	$	$	$	$	$	$	$	$	$	$
Charge-offs	(5,894)				(462)			(1,929)	(3,565)	(11,850)
Recoveries										
Provision for loan losses before benefit attibutable attibutable to FDIC loss share agreements	16,807	1,318		1,464	462			1,929	3,565	25,545
Benefit attributable to FDIC loss share agreements	(15,966)	(1,252)		(1,391)	(439)			(1,833)	(3,387)	(24,267)
Total provision for loan losses charged to operations	841	66		73	23			96	178	1,278
Provision for loan losses recorded through the FDIC loss share receivable	15,966	1,252		1,391	439			1,833	3,387	24,267
Balance, June 30, 2011	$ 10,913	$ 1,318	$	$ 1,464	$	$	$	$	$	$ 13,695
Loans individually evaluated for impairment	$	$	$	$	$	$	$	$	$	$
Loans collectively evaluated for impairment	$ 10,913	$ 1,318	$	$ 1,464	$	$	$	$	$	$ 13,695
Loans:										
Loans individually evaluated for impairment	$	$	$	$	$	$	$	$	$	$
Loans collectively evaluated for impairment	66,734	84,928	51,150	115,038	2,579	1,409	11,721	31,572	2,360	367,491
Total acquired loans	$ 66,734	$ 84,928	$ 51,150	$ 115,038	$ 2,579	$ 1,409	$ 11,721	$ 31,572	$ 2,360	$ 367,491

As part of the on-going monitoring of the credit quality of the Company s loan portfolio, management tracks certain credit quality indicators including trends related to (i) the weighted-average risk grade, (ii) the level of classified loans, (iii) net charge-offs, (iv) non-performing loans (see details below) and (v) the general economic conditions of the markets that we serve.

The Company utilizes a risk grading matrix to assign a risk grade to each of its loans. A description of the general characteristics of the risk grades is as follows:

- Pass These loans range from minimal credit risk to lower than average however still acceptable credit risk.

- Special mention A special mention loan has potential weaknesses that deserve management s close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or the institution s credit position at some future date.

- Substandard A substandard loan is inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified must have a well-defined weakness, or weaknesses, that jeopardize the liquidation of the debt. A substandard loan is characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.

- Doubtful A doubtful loan has all of the weaknesses inherent in one classified as substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of the currently existing facts, conditions and values, highly questionable and improbable.

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Note 6 Loans and Allowance for Loan Losses (continued)

The following table presents the credit risk profile by risk grade of commercial loans for non-acquired loans:

	Construction & Development			Commercial Non-owner Occupied			Commercial Owner Occupied		
(Dollars in thousands)	**June 30, 2011**	**December 31, 2010**	**June 30, 2010**	**June 30, 2011**	**December 31, 2010**	**June 30, 2010**	**June 30, 2011**	**December 31, 2010**	**June 30, 2010**
Pass	**$ 246,610**	$ 284,708	$ 296,425	**$ 239,863**	$ 258,698	$ 258,742	**$ 586,151**	$ 503,367	$ 423,843
Special mention	**37,815**	40,463	39,383	**43,651**	37,487	25,460	**42,689**	38,204	47,389
Substandard	**53,863**	66,816	87,005	**23,184**	24,018	24,555	**40,383**	36,785	31,559
Doubtful			53			223		231	4
	$ 338,288	$ 391,987	$ 422,866	**$ 306,698**	$ 320,203	$ 308,980	**$ 669,223**	$ 578,587	$ 502,795

	Commercial & Industrial			Other Income Producing Property			Commercial Total		
	June 30, 2011	**December 31, 2010**	**June 30, 2010**	**June 30, 2011**	**December 31, 2010**	**June 30, 2010**	**June 30, 2011**	**December 31, 2010**	**June 30, 2010**
Pass	**$ 202,111**	$ 190,608	$ 202,639	**$ 108,780**	$ 101,441	$ 99,933	**$ 1,383,515**	$ 1,338,822	$ 1,281,582
Special mention	**5,642**	8,104	4,382	**11,661**	10,074	10,910	**141,458**	134,332	127,524
Substandard	**8,148**	4,275	5,842	**12,711**	12,872	15,076	**138,289**	144,766	164,037
Doubtful					44	85		275	365
	$ 215,901	$ 202,987	$ 212,863	**$ 133,152**	$ 124,431	$ 126,004	**$ 1,663,262**	$ 1,618,195	$ 1,573,508

The following table presents the credit risk profile by risk grade of consumer loans for non-acquired loans at June 30:

	Consumer Owner Occupied			Home Equity			Consumer		
(Dollars in thousands)	**June 30, 2011**	**December 31, 2010**	**June 30, 2010**	**June 30, 2011**	**December 31, 2010**	**June 30, 2010**	**June 30, 2011**	**December 31, 2010**	**June 30, 2010**
Pass	**$ 328,952**	$ 289,168	$ 277,302	**$ 247,862**	$ 248,261	$ 239,278	**$ 78,793**	$ 66,775	$ 62,300
Special mention	**20,040**	17,919	10,402	**9,657**	7,794	6,392	**778**	532	349
Substandard	**18,918**	18,383	18,718	**6,148**	7,906	6,281	**501**	461	484
Doubtful			976						
	$ 367,910	$ 325,470	$ 307,398	**$ 263,667**	$ 263,961	$ 251,951	**$ 80,072**	$ 67,768	$ 63,133

	Other			Consumer Total		
	June 30, 2011	**December 31, 2010**	**June 30, 2010**	**June 30, 2011**	**December 31, 2010**	**June 30, 2010**
Pass	**$ 30,702**	$ 20,806	$ 31,452	**$ 686,309**	$ 625,010	$ 610,332
Special mention				**30,475**	26,245	17,143
Substandard				**25,567**	26,750	25,483
Doubtful						976
	$ 30,702	$ 20,806	$ 31,452	**$ 742,351**	$ 678,005	$ 653,934

The following table presents the credit risk profile by risk grade of total non-acquired loans at June 30:

	Total Non-acquired Loans		
	June 30, 2011	**December 31, 2010**	**June 30, 2010**
Pass	**$ 2,069,824**	$ 1,963,832	$ 1,891,914
Special mention	**171,933**	160,577	144,667
Substandard	**163,856**	171,516	189,520
Doubtful		275	1,341
	$ 2,405,613	$ 2,296,200	$ 2,227,442

At June 30, 2011, the aggregate amount of non-acquired substandard and doubtful loans totaled $163.9 million. When these loans are combined with non-acquired OREO of $24.9 million, our non-acquired classified assets (as defined by our primary federal regulator, the Office of the Comptroller of the Currency (the OCC)) were $188.8 million. At December 31, 2010, the amounts were $171.8 million, $17.3 million, and $189.1 million, respectively. At June 30, 2010, the amounts were $190.9 million, $10.0 million, and $204.1 million, respectively.

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Note 6 Loans and Allowance for Loan Losses (continued)

The following table presents the credit risk profile by risk grade of acquired loans, net of the related discount at June 30:

(Dollars in thousands)	Commercial Loans Greater Than or Equal to $1 million June 30, 2011	December 31, 2010	June 30, 2010	Commercial Real Estate June 30, 2011	December 31, 2010	June 30, 2010	Commercial Real Estate Construction and Development June 30, 2011	December 31, 2010	June 30, 2010
Pass	**$ 19,270**	$ 26,395	$ 28,766	**$ 30,114**	$ 29,506	$ 38,093	**$ 12,972**	$ 11,897	$ 17,564
Special mention	**9,548**	10,317	15,053	**14,142**	10,048	13,894	**5,685**	3,218	5,836
Substandard	**37,745**	46,952	58,705	**40,672**	26,696	28,339	**32,412**	16,877	24,390
Doubtful	**171**	624	1,738		378	456	**81**	320	1,674
	$ 66,734	$ 84,288	$ 104,262	**$ 84,928**	$ 66,628	$ 80,782	**$ 51,150**	$ 32,312	$ 49,464

	Residential Real Estate June 30, 2011	December 31, 2010	June 30, 2010	Residential Real Estate Junior Lien June 30, 2011	December 31, 2010	June 30, 2010	Home Equity June 30, 2011	December 31, 2010	June 30, 2010
Pass	**$ 57,390**	$ 42,807	$ 57,946	**$ 1,659**	$ 2,219	$ 2,838	**$ 980**	$ 1,069	$ 1,549
Special mention	**15,686**	10,470	12,566	**66**	93	100	**224**	156	213
Substandard	**41,676**	33,112	32,134	**787**	1,112	1,160	**205**	294	82
Doubtful	**286**	1,156	7,812	**67**	249	241			
	$ 115,038	$ 87,545	$ 110,458	**$ 2,579**	$ 3,673	$ 4,339	**$ 1,409**	$ 1,519	$ 1,844

	Consumer June 30, 2011	December 31, 2010	June 30, 2010	Commercial & Industrial June 30, 2011	December 31, 2010	June 30, 2010	Single Pay June 30, 2011	December 31, 2010	June 30, 2010
Pass	**$ 8,610**	$ 7,401	$ 12,962	**$ 16,014**	$ 10,482	$ 15,487	**$ 167**	$ 258	$ 635
Special mention	**825**	528	829	**3,749**	3,389	3,127	**62**	65	
Substandard	**2,270**	2,828	3,158	**11,724**	10,503	9,545	**2,066**	8,877	14,480
Doubtful	**16**	158	347	**85**	368	1,105	**65**	216	725
	$ 11,721	$ 10,915	$ 17,296	**$ 31,572**	$ 24,742	$ 29,264	**$ 2,360**	$ 9,416	$ 15,840

The risk grading of acquired loans is determined utilizing a loan s contractual balance, while the amount recorded in the financial statements and reflected above is the carrying value. In an FDIC assisted acquisition, acquired loans are recorded at their fair value, including a credit discount due to the high concentration of substandard and doubtful loans. In addition to the credit discount, the Company s risk of loss is mitigated because of the FDIC loss share arrangement.

An aging analysis of past due loans, segregated by class for non-acquired loans, as of June 30, 2011 was as follows:

90+ Days **Total**

(Dollars in thousands)	30-59 Days Past Due	60-89 Days Past Due	Past Due and Accruing	Past Due	Nonaccruals	Current	Total Loans
Commercial real estate:							
Construction and land development	$ 991	$ 468	$	$ 1,459	$ 28,525	$ 308,304	$ 338,288
Commercial non-owner occupied	28	95		123	12,630	293,945	306,698
Commercial owner occupied	2,745	1,758		4,503	11,183	653,537	669,223
Consumer real estate:							
Consumer owner occupied	1,139	208		1,347	8,344	358,219	367,910
Home equity loans	1,257	116		1,373	1,742	260,552	263,667
Commercial and industrial	600	112	7	719	1,482	213,700	215,901
Other income producing property	549	821		1,370	4,234	127,548	133,152
Consumer	375	45		420	130	79,522	80,072
Other loans	82	62	87	231	416	30,055	30,702
	$ 7,766	$ 3,685	$ 94	$ 11,545	$ 68,686	$ 2,325,382	$ 2,405,613

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Note 6 Loans and Allowance for Loan Losses (continued)

An aging analysis of past due loans, segregated by class for non-acquired loans, as of December 31, 2010 was as follows:

(Dollars in thousands)	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due and Accruing	Total Past Due	Nonaccruals	Current	Total Loans
Commercial real estate:							
Construction and land development	$ 3,304	$ 1,133	$	$ 4,437	$ 28,390	$ 359,160	$ 391,987
Commercial non-owner occupied	779	240		1,019	10,073	309,111	320,203
Commercial owner occupied	1,063	453		1,516	13,056	564,015	578,587
Consumer real estate:							
Consumer owner occupied	1,626	1,086	16	2,728	7,176	315,566	325,470
Home equity loans	725	79	14	818	2,517	260,626	263,961
Commercial and industrial	622	98		720	1,282	200,985	202,987
Other income producing property	806	103	18	927	6,356	117,148	124,431
Consumer	597	175	33	805	176	66,787	67,768
Other loans	35	16	37	88		20,718	20,806
	$ 9,557	$ 3,383	$ 118	$ 13,058	$ 69,026	$ 2,214,116	$ 2,296,200

An aging analysis of past due loans, segregated by class for non-acquired loans, as of June 30, 2010 was as follows:

(Dollars in thousands)	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due and Accruing	Total Past Due	Nonaccruals	Current	Total Loans
Commercial real estate:							
Construction and land development	$ 2,037	$ 1,172	$	$ 3,209	$ 37,612	$ 382,045	$ 422,866
Commercial non-owner occupied	888	556		1,444	11,875	295,661	308,980
Commercial owner occupied	1,589	51	507	2,147	8,846	491,802	502,795
Consumer real estate:							
Consumer owner occupied	1,861	353		2,214	7,784	297,400	307,398
Home equity loans	427	230		657	334	250,960	251,951
Commercial and industrial	349	89		438	2,528	209,897	212,863
Other income producing property	144	416	28	588	6,023	119,393	126,004
Consumer	550	35	1	586	211	62,336	63,133

Other loans					100	31,352	31,452
	$ 7,845	$ 2,902	$ 536	$ 11,283	$ 75,313	$ 2,140,846	$ 2,227,442

Acquired loans that are past due continue to accrue accretable yield under the accretion method of accounting and therefore are not considered to be nonaccrual.

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Note 6 Loans and Allowance for Loan Losses (continued)

An aging analysis of past due loans, segregated by type for acquired loans as of June 30, 2011 was as follows:

(Dollars in thousands)	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due and Accruing	Total Past Due	Nonaccruals	Current	Total Loans
Commercial loans greater than or equal to $1 million	$ 714	$	$ 25,513	$ 26,227	$	$ 40,507	$ 66,734
Commercial real estate	2,398	5,864	13,952	22,214		62,714	84,928
Commercial real estate construction and development	397	491	24,902	25,790		25,360	51,150
Residential real estate	3,378	1,454	15,999	20,831		94,207	115,038
Residential real estate junior lien	186	3	341	530		2,049	2,579
Home equity	28	3	7	38		1,371	1,409
Consumer	467	178	655	1,300		10,421	11,721
Commercial and industrial	762	795	6,613	8,170		23,402	31,572
Single pay	4	2	1,928	1,934		426	2,360
	$ 8,334	$ 8,790	$ 89,910	$ 107,034	$	$ 260,457	$ 367,491

An aging analysis of past due loans, segregated by type for acquired loans, as of December 31, 2010 was as follows:

(Dollars in thousands)	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due and Accruing	Total Past Due	Nonaccruals	Current	Total Loans
Commercial loans greater than or equal to $1 million	$ 3,993	$	$ 30,220	$ 34,213	$	$ 50,075	$ 84,288
Commercial real estate	1,067	458	14,240	15,765		50,864	66,629
Commercial real estate construction and development	1,197	499	10,915	12,611		19,702	32,313
Residential real estate	2,508	1,397	20,077	23,982		63,563	87,545
Residential real estate junior lien	165	59	863	1,087		2,586	3,673
Home equity	15	56	101	172		1,346	1,518
Consumer	614	323	1,303	2,240		8,675	10,915
Commercial and industrial	1,533	470	6,986	8,989		15,752	24,741
Single pay			8,900	8,900		516	9,416
	$ 11,092	$ 3,262	$ 93,605	$ 107,959	$	$ 213,079	$ 321,038

An aging analysis of past due loans, segregated by type for acquired loans, as of June 30, 2010 was as follows:

(Dollars in thousands)	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due and Accruing	Total Past Due	Nonaccruals	Current	Total Loans
Commercial loans greater than or equal to $1 million	$ 804	$ 7,513	$ 36,455	$ 44,772	$	$ 59,490	$ 104,262
Commercial real estate	4,075	3,181	15,521	22,777		58,005	80,782
Commercial real estate construction and development	3,688	1,812	16,914	22,414		27,050	49,464
Residential real estate	7,120	4,960	20,577	32,657		77,801	110,458
Residential real estate junior lien	484	8	638	1,130		3,209	4,339
Home equity	19	75	33	127		1,717	1,844
Consumer	1,135	635	1,526	3,296		14,000	17,296
Commercial and industrial	2,253	1,419	5,242	8,914		20,350	29,264
Single pay	150	41	10,800	10,991		4,849	15,840
	$ 19,728	$ 19,644	$ 107,706	$ 147,078	$	$ 266,471	$ 413,549

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Note 6 Loans and Allowance for Loan Losses (continued)

The following is a summary of information pertaining to impaired non-acquired loans:

(Dollars in thousands)	Unpaid Contractual Principal Balance	Recorded Investment With No Allowance	Gross Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
June 30, 2011						
Commercial real estate:						
Construction and land development	**$ 32,078**	**$ 14,773**	**$ 7,192**	**$ 21,965**	**$ 1,843**	**$ 22,523**
Commercial non-owner occupied	**16,923**	**6,537**	**6,426**	**12,963**	**634**	**11,956**
Commercial owner occupied	**12,780**	**4,838**	**6,265**	**11,103**	**1,105**	**10,925**
Consumer real estate:						
Consumer owner occupied	**2,799**	**414**	**2,036**	**2,450**	**293**	**1,995**
Home equity loans						
Commercial and industrial	**1,199**	**1,114**		**1,114**		**1,129**
Other income producing property	**2,244**	**1,622**	**417**	**2,039**	**156**	**2,596**
Consumer						
Other loans						
Total impaired loans	**$ 68,023**	**$ 29,298**	**$ 22,336**	**$ 51,634**	**$ 4,031**	**$ 51,124**
December 31, 2010						
Commercial real estate:						
Construction and land development	$ 29,656	$ 13,362	$ 9,719	$ 23,081	$ 1,718	$ 20,338
Commercial non-owner occupied	12,902	5,824	5,124	10,948	1,444	8,752
Commercial owner occupied	11,279	5,353	5,394	10,747	830	8,913
Consumer real estate:						
Consumer owner occupied	1,725		1,540	1,540	80	1,143
Home equity loans						
Commercial and industrial	1,145		1,144	1,144	36	1,040
Other income producing property	4,402	2,246	907	3,153	28	2,477
Consumer						
Other loans						
Total impaired loans	$ 61,109	$ 26,785	$ 23,828	$ 50,613	$ 4,136	$ 42,663
June 30, 2010						
Commercial real estate:						
Construction and land development	$ 39,892	$ 11,663	$ 19,137	$ 30,800	$ 3,940	$ 24,198
Commercial non-owner occupied	12,607	3,912	7,680	11,592	2,614	9,074
Commercial owner occupied	6,380	2,970	2,821	5,791	293	6,435
Consumer real estate:						
Consumer owner occupied	890		890	890	148	817
Home equity loans						

Commercial and industrial	7,509	1,845		1,845		1,391
Other income producing property	4,236	1,018	2,781	3,799	698	2,800
Consumer						
Other loans						
Total impaired loans	$ 71,514	$ 21,408	$ 33,309	$ 54,717	$ 7,693	$ 44,715

Acquired loans are accounted for in pools as shown on page 16 rather than being individually evaluated for impairment; therefore, the table above only pertains to non-acquired loans.

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Note 6 Loans and Allowance for Loan Losses (continued)

The following is a summary of information pertaining to non-acquired nonaccrual loans by class, including restructured loans:

(Dollars in thousands)	June 30, 2011	December 31, 2010	June 30, 2010
Commercial non-owner occupied real estate:			
Construction and land development	**$ 22,977**	$ 27,207	$ 37,612
Commercial non-owner occupied	**12,218**	8,407	11,875
Total commercial non-owner occupied real estate	**35,195**	35,614	49,487
Consumer real estate:			
Consumer owner occupied	**6,309**	6,865	7,784
Home equity loans	**1,742**	2,517	334
Total consumer real estate	**8,051**	9,382	8,118
Commercial owner occupied real estate	**8,426**	10,499	8,846
Commercial and industrial	**1,482**	1,282	2,528
Other income producing property	**4,522**	5,708	6,023
Consumer	**130**	176	211
Other loans			100
Restructured loans	**10,880**	6,365	
Total loans on nonaccrual status	**$ 68,686**	$ 69,026	$ 75,313

At June 30, 2011 and, December 31, 2011, there were $3.3 million and $3.1 million, respectively, in non-acquired restructured loans that were still accruing contractual interest. There were no non-acquired restructured loans that were still accruing contractual interest at June 30, 2010.

Note 7 Receivable from FDIC for Loss Share Agreements

The following table provides changes in the receivable from the FDIC for the periods ended June 30, 2011 and June 30, 2010:

(Dollars in thousands)	
Balance, December 31, 2010	$ 212,103
FDIC loss share receivable recorded for Habersham agreement	87,418
Increase in expected losses on indemnified assets	24,268
Claimable losses on OREO covered under loss share agreements	8,829
Reimbursable expenses claimed	6,489
Accretion of discounts and premiums, net	(3,534)
Reimbursements from FDIC	(36,373)
Balance, June 30, 2011	$ 299,200

(Dollars in thousands)

Balance, December 31, 2009	$	
FDIC loss share receivable recorded for CBT agreement		276,789
Accretion of discounts and premiums, net		936
Reimbursements from FDIC		(11,835)
Balance, June 30, 2010	$	265,890

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Note 7 Receivable from FDIC for Loss Share Agreements (continued)

The FDIC receivable for loss share agreements is measured separately from the related covered assets and is recorded at fair value. The fair value was estimated using projected cash flows related to the loss share agreements based on the expected reimbursements for losses and the applicable loss share percentages. At June 30, 2011, the Company estimated that $76.2 million was currently receivable from the FDIC. Subsequent to June 30, 2011, the Company received payments of $18.4 million, including reimbursable expenses.

Note 8 Other Real Estate Owned

The following is a summary of information pertaining to OREO at June 30, 2011 and June 30, 2010:

(Dollars in thousands)	OREO	Covered OREO	Total
Balance, December 31, 2010	$ 17,264	$ 69,317	$ 86,581
Acquired in Habersham acquisition		14,493	14,493
Additions, net	16,002	8,696	24,698
Writedowns	(3,104)		(3,104)
Sold	(5,262)	(17,915)	(23,177)
Balance, June 30, 2011	$ 24,900	$ 74,591	$ 99,491

(Dollars in thousands)	OREO	Covered OREO	Total
Balance, December 31, 2009	$ 3,102	$	$ 3,102
Acquired in CBT Acquisition		25,876	25,876
Additions	11,587	11,684	23,271
Writedowns	(733)		(733)
Sold	(4,153)	(5,810)	(9,963)
Balance, June 30, 2010	$ 9,803	$ 31,750	$ 41,553

The covered OREO above is covered pursuant to the FDIC loss share agreements which are discussed in Note 2 Mergers and Acquisition, and is presented net of the related fair value discount.

Note 9 Deposits

The Company s total deposits are comprised of the following:

(Dollars in thousands)	June 30, 2011	December 31, 2010	June 30, 2010
Certificates of deposit	**$ 1,016,851**	$ 1,129,892	$ 1,276,085
Interest-bearing demand deposits	**1,302,199**	1,186,260	1,072,842
Demand deposits	**598,112**	484,838	465,594
Savings deposits	**258,571**	202,054	194,749
Other time deposits	**30,095**	1,104	2,597
Total deposits	**$ 3,205,828**	$ 3,004,148	$ 3,011,867

The aggregate amounts of time deposits in denominations of $100,000 or more at June 30, 2011, December 31, 2010, and June 30, 2010 were $462.4 million, $530.8 million and $593.7 million, respectively. In July of 2010, the Dodd-Frank Act permanently increased the insurance limit on deposit accounts from $100,000 to $250,000. At June 30, 2011 and December 31, 2010, SCBT had $174.3 million and $177.5 million in certificates of deposits greater than $250,000, respectively. The Company did not have brokered certificates of deposit at June 30, 2011, December 31, 2010, and June 30, 2010.

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Note 10 Retirement Plans

The Company and the Bank provide certain retirement benefits to their employees in the form of a non-contributory defined benefit pension plan and an employees savings plan. The non-contributory defined benefit pension plan covers all employees hired on or before December 31, 2005, who have attained age 21, and who have completed one year of eligible service. Employees hired on or after January 1, 2006 are not eligible to participate in the non-contributory defined benefit pension plan. On this date, a new benefit formula applies only to participants who have not attained age 45 or who do not have five years of service.

Effective July 1, 2009, the Company suspended the accrual of benefits for pension plan participants under the non-contributory defined benefit plan. The pension plan remained suspended as of June 30, 2011.

The components of net periodic pension expense recognized during the three and six months ended June 30 are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	**2011**	**2010**	**2011**	**2010**
Service cost	**$**	$	**$**	$
Interest cost	**274**	270	**548**	540
Expected return on plan assets	**(400)**	(377)	**(800)**	(754)
Amortization of prior service cost				
Recognized net actuarial loss	**137**	65	**274**	130
Net periodic pension expense (benefit)	**$ 11**	$ (42)	**$ 22**	$ (84)

The Company contributed $228,000 and $456,000 to the pension plan for the three and six months ended June 30, 2011 and anticipates making similar additional quarterly contributions during the remainder of the year.

Electing employees are eligible to participate in the employees savings plan, under the provisions of Internal Revenue Code Section 401(k), after attaining age 21. Plan participants elect to contribute portions of their annual base compensation as a before tax contribution. The Company matched 50% of these contributions up to a 6% employee contribution for employees hired before January 1, 2006 who were age 45 and higher with five or more vesting years of service. The Company matched 100% of these contributions up to a 6% employee contribution for current employees under age 45 or with less than five years of service. Employees hired on January 1, 2006 or thereafter will not participate in the defined benefit pension plan, but are eligible to participate in the employees savings plan, and until April 1, 2009, the Company matched 100% of the employees contributions up to 6% of salary. Effective April 1, 2009, the Company temporarily suspended the employer match contribution to all participants in the plan. Effective January 1, 2010, the Company reinstated an employer match so that participating employees, as defined above, would receive a 50% match of their 401(k) plan contributions, up to 4% of salary.

Employees can enter the savings plan on or after the first day of each month. The employee may enter into a salary deferral agreement at any time to select an alternative deferral amount or to elect not to defer in the plan. If the employee does not elect an investment allocation, the plan administrator will select a retirement-based portfolio according to the employee s number of years until normal retirement age. The plan s investment valuations are generally provided on a daily basis.

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Note 11 Earnings Per Share

Basic earnings per share are calculated by dividing net income available to common shareholders by the weighted-average shares of common stock outstanding during each period, excluding non-vested shares. The Company s diluted earnings per share are based on the weighted-average shares of common stock outstanding during each period plus the maximum dilutive effect of common stock issuable upon exercise of stock options or vesting of restricted shares. The weighted-average number of shares and equivalents are determined after giving retroactive effect to stock dividends and stock splits.

The following table sets forth the computation of basic and diluted earnings per share for the three and six months ended June 30:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars and shares in thousands)	**2011**	**2010**	**2011**	**2010**
Basic earnings per share:				
Net income	**$ 4,918**	$ 575	**$ 7,434**	$ 49,536
Weighted-average basic shares	**13,805**	12,612	**13,500**	12,599
Basic earnings per share	**$ 0.36**	$ 0.05	**$ 0.55**	$ 3.93
Diluted earnings per share:				
Net income	**$ 4,918**	$ 575	**$ 7,434**	$ 49,536
Weighted-average basic shares	**13,805**	12,612	**13,500**	12,599
Effect of dilutive securities	**81**	126	**82**	114
Weighted-average dilutive shares	**13,886**	12,738	**13,582**	12,713
Diluted earnings per share	**$ 0.35**	$ 0.05	**$ 0.55**	$ 3.90

The calculation of diluted earnings per share excludes outstanding stock options that have exercise prices greater than the average market price of the common shares for the period as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	**2011**	**2010**	**2011**	**2010**
Number of shares	**254,264**	96,110	**253,214**	121,842
Range of exercise prices	**$26.01 - $40.99**	$31.10 - $40.99	**$26.01 - $40.99**	$31.10 - $40.99

Note 12 Share-Based Compensation

The Company s 1999 and 2004 stock option programs are long-term retention programs intended to attract, retain, and provide incentives for key employees and non-employee directors in the form of incentive and non-qualified stock options and restricted stock.

Stock Options

With the exception of non-qualified stock options granted to directors under the 1999 and 2004 plans, which in some cases may be exercised at any time prior to expiration and in some other cases may be exercised at intervals less than one year following the grant date, incentive stock options granted under the plans may not be exercised in whole or in part within one year following the date of the grant, as these incentive stock options become exercisable in 25% increments pro ratably over the four-year period following the grant date. The options are granted at an exercise price at least equal to the fair value of the common stock at the date of grant and expire ten years from the date of grant. No options were granted under the 1999 plan after January 2, 2004, and the plan is closed other than for any options still unexercised and outstanding. The 2004 plan is the only plan from which new share-based compensation grants may be issued. It is the Company s policy to grant options out of the 661,500 shares registered under the 2004 plan.

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Note 12 Share-Based Compensation (continued)

Activity in the Company s stock option plans is summarized in the following table. All information has been retroactively adjusted for stock dividends and stock splits.

Options	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (Yrs.)	Aggregate Intrinsic Value (000 s)
Outstanding at January 1, 2011	386,207	$ 29.02		
Granted	25,142	32.46		
Exercised	(11,550)	18.46		
Expired/Forfeited	(1)	11.39		
Outstanding at June 30, 2011	399,798	29.54	4.93	$ 797
Exercisable at June 30, 2011	316,870	28.96	3.99	$ 777
Weighted-average fair value of options granted during the year	$ 11.85			

The fair value of options is estimated at the date of grant using the Black-Scholes option pricing model and expensed over the options vesting periods. The following weighted-average assumptions were used in valuing options issued:

	Six Months Ended June 30, 2011	2010
Dividend yield	**2.20%**	2.00%
Expected life	**6 years**	6 years
Expected volatility	**44%**	50%
Risk-free interest rate	**2.37%**	2.73%

As of June 30, 2011, there was $833,000 of total unrecognized compensation cost related to nonvested stock option grants under the plans. The cost is expected to be recognized over a weighted-average period of 1.55 years as of June 30, 2011. The total fair value of shares vested during the six months ended June 30, 2011 was $448,000.

Restricted Stock

The Company from time-to-time also grants shares of restricted stock to key employees and non-employee directors. These awards help align the interests of these employees and directors with the interests of the shareholders of the Company by providing economic value directly related to increases in the value of the Company s stock. The value of the stock awarded is established as the fair market value of the stock at the time of the grant. The Company recognizes expenses, equal to the total value of such awards, ratably over the vesting period of the stock grants. Restricted stock grants to employees typically cliff vest after four years. On occasion, grants of restricted stock will cliff vest over a longer period, such as seven or ten years. Grants to non-employee directors typically vest within a 12-month period.

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Note 12 Share-Based Compensation (continued)

Nonvested restricted stock for the six months ended June 30, 2011 is summarized in the following table. All information has been retroactively adjusted for stock dividends and stock splits.

Restricted Stock	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at January 1, 2011	150,629	$ 30.74
Granted	52,678	32.21
Vested	(23,931)	37.06
Forfeited		
Nonvested at June 30, 2011	179,376	30.32

As of June 30, 2011, there was $4.0 million of total unrecognized compensation cost related to nonvested restricted stock granted under the plans. This cost is expected to be recognized over a weighted-average period of 4.2 years as of June 30, 2011. The total fair value of shares vested during the six months ended June 30, 2011 was $887,000.

Note 13 Commitments and Contingent Liabilities

In the normal course of business, the Company makes various commitments and incurs certain contingent liabilities, which are not reflected in the accompanying financial statements. The commitments and contingent liabilities include guarantees, commitments to extend credit, and standby letters of credit. At June 30, 2011, commitments to extend credit and standby letters of credit totaled $644.3 million. The Company does not anticipate any material losses as a result of these transactions.

Note 14 Fair Value

FASB ASC 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value under accounting principles generally accepted in the United States, and enhances disclosures about fair value measurements. FASB ASC 820 clarifies that fair value should be based on the assumptions market participants would use when pricing an asset or liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions.

The Company utilizes fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Available for sale securities and derivative financial instruments are recorded at fair value on a recurring basis. Additionally, from time to time, the Company may be required to record at fair value other assets on a nonrecurring basis, such as loans held for sale, loans held for investment and certain other assets. These nonrecurring fair value adjustments typically involve application of lower of cost or market accounting or write-downs of individual assets.

FASB ASC 820 establishes a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value as follows:

Level 1	Observable inputs such as quoted prices in active markets;
Level 2	Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
Level 3	Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The following is a description of valuation methodologies used for assets recorded at fair value.

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Note 14 Fair Value (continued)

Investment Securities

Securities available for sale are valued on a recurring basis at quoted market prices where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable securities. Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange or U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter markets and money market funds. Level 2 securities include mortgage-backed securities and debentures issued by government sponsored entities, municipal bonds and corporate debt securities. Securities classified as Level 3 include asset-backed securities in less liquid markets. Securities held to maturity are valued at quoted market prices or dealer quotes similar to securities available for sale. The carrying value of Federal Reserve Bank stock and FHLB stock approximates fair value based on their redemption provisions.

Pooled trust preferred securities were Level 3 securities under the three-tier fair value hierarchy because of an absence of observable inputs for these and similar securities in the debt markets. The Company determined that (1) there were few observable transactions and market quotations available and they were not reliable for purposes of determining fair value at December 31, 2010 and June 30, 2010, and (2) an income valuation approach technique (present value technique) that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs was equally or more representative of fair value than the market approach valuation technique used at prior measurement dates. This income valuation approach requires numerous steps in determining fair value. These steps included estimating credit quality of the collateral, generating asset defaults, forecasting cash flows for underlying collateral, and determining losses given default assumption.

Mortgage Loans Held for Sale

Mortgage loans held for sale are carried at the lower of cost or market value. The fair values of mortgage loans held for sale are based on commitments on hand from investors within the secondary market for loans with similar characteristics. As such, the fair value adjustments for mortgage loans held for sale is nonrecurring Level 2.

Loans

The Company does not record loans at fair value on a recurring basis. However, from time to time, a loan may be considered impaired and an allowance for loan losses may be established. Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement are considered impaired. Once a loan is identified as individually impaired, management measures impairment using estimated fair value methodologies. The fair value of impaired loans is estimated using one of several methods, including collateral value, market value of similar debt, enterprise value, liquidation value and discounted cash flows. Those impaired loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceed the recorded investments in such loans. At June 30, 2011, substantially all of the impaired loans were evaluated based on the fair value of the collateral because such loans were considered collateral dependent. Impaired loans, where an allowance is established based on the fair value of collateral require classification in the fair value hierarchy. When the fair value of the collateral is based on an observable market price or a current appraised value, the Company considers the impaired loan as nonrecurring Level 2. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the Company considers the impaired loan as nonrecurring Level 3.

Other Real Estate Owned (OREO   )

Typically non-covered OREO, consisting of properties obtained through foreclosure or in satisfaction of loans, is reported at fair value, determined on the basis of current appraisals, comparable sales, and other estimates of value obtained principally from independent sources, adjusted for estimated selling costs (Level 2). However, both non-covered and covered OREO would be considered Level 3 in the fair value hierarchy because management has qualitatively applied a discount due to the size and over supply of inventory in north Georgia and the incremental discounts applied to the appraisals in other markets. At the time of foreclosure, any excess of the loan balance over the fair value of the real estate held as collateral is treated as a charge against the allowance for loan losses. Gains or losses on sale and generally any subsequent adjustments to the value are recorded as a component of OREO expense.

Derivative Financial Instruments

Fair value is estimated using pricing models of derivatives with similar characteristics, thus classifying the derivatives within Level 2 of the fair value hierarchy (see Note 16   Derivative Financial Instruments for additional information).

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Note 14 Fair Value (continued)

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The tables below present the recorded amount of assets and liabilities measured at fair value on a recurring basis.

(Dollars in thousands)	Fair Value June 30, 2011	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Securities available for sale:				
Government-sponsored enterprises debt	**$ 58,814**	**$**	**$ 58,814**	**$**
State and municipal obligations	**40,377**		**40,377**	
Mortgage-backed securities	**110,376**		**110,376**	
Corporate stocks	**389**	**364**	**25**	
Total securities available for sale	**$ 209,956**	**$ 364**	**$ 209,592**	**$**
Liabilities				
Derivative financial instruments	**$ 740**	**$**	**$ 740**	**$**

(Dollars in thousands)	Fair Value December 31, 2010	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Securities available for sale:				
Government-sponsored enterprises debt	$ 70,534	$	$ 70,534	$
State and municipal obligations	40,004		40,004	
Mortgage-backed securities	84,440		84,440	
Trust preferred (collateralized debt obligations)	2,034			2,034
Corporate stocks	362	337	25	
Total securities available for sale	$ 197,374	$ 337	$ 195,003	$ 2,034
Liabilities				
Derivative financial instruments	$ 635	$	$ 635	$

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Note 14 Fair Value (continued)

(Dollars in thousands)		Fair Value June 30, 2010		Quoted Prices In Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)
Assets								
Securities available for sale:								
Government-sponsored enterprises debt	$	113,290	$		$	113,290	$	
State and municipal obligations		41,452				41,452		
Mortgage-backed securities		90,786				90,786		
Trust preferred (collateralized debt obligations)		5,760						5,760
Corporate stocks		356		321		35		
Total securities available for sale	$	251,644	$	321	$	245,563	$	5,760
Liabilities								
Derivative financial instruments	$	831	$		$	831	$	

Changes in Level 1, 2 and 3 Fair Value Measurements

There were no transfers between the fair value hierarchy levels during the six months ended June 30, 2011.

When a determination is made to classify a financial instrument within Level 3 of the valuation hierarchy, the determination is based upon the significance of the unobservable factors to the overall fair value measurement. However, since Level 3 financial instruments typically include, in addition to the unobservable or Level 3 components, observable components (that is, components that are actively quoted and can be validated to external sources), the gains and losses below include changes in fair value due in part to observable factors that are part of the valuation methodology.

A reconciliation of the beginning and ending balances of Level 3 assets and liabilities recorded at fair value on a recurring basis for the six months ended June 30, 2011 is as follows:

(Dollars in thousands)		Pooled Trust Preferred Securities
Fair value, January 1, 2011	$	2,034
Change in unrealized loss recognized in other comprehensive income		95
Other-than-temporary impairment losses recognized in income		
Sales		(2,129)
Transfers in and/or out of level 3		
Fair value, June 30, 2011	$	

Total unrealized gains (losses), net of tax, included in accumulated other comprehensive income related to level 3 financial assets and liabilities still on the consolidated balance sheet at June 30, 2011	$

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Note 14 Fair Value (continued)

Assets and Liabilities Recorded at Fair Value on a Nonrecurring Basis

The tables below present the recorded amount of assets and liabilities measured at fair value on a nonrecurring basis.

(Dollars in thousands)	**Fair Value June 30, 2011**	**Quoted Prices In Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Covered under FDIC loss share agreements:				
OREO	**$ 74,591**	**$**	**$**	**$ 74,591**
Non-acquired:				
Impaired loans	**34,236**		**15,449**	**18,787**
OREO	**24,900**			**24,900**

(Dollars in thousands)	**Fair Value December 31, 2010**	**Markets for Identical Assets (Level 1)**	**Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Covered under FDIC loss share agreements:				
OREO	$ 69,317	$	$	$ 69,317
Non-acquired:				
Impaired loans	33,740		18,525	15,215
OREO	17,264			17,264

(Dollars in thousands)	**Fair Value June 30, 2010**	**Quoted Prices In Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Covered under FDIC loss share agreements:				
OREO	$ 31,750	$	$	$ 31,750
Non-acquired:				
Impaired loans	41,781		32,108	9,673
OREO	9,803		9,803	

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Note 14 Fair Value (continued)

Fair Value of Financial Instruments

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those models are significantly affected by the assumptions used, including the discount rates and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instrument. The use of different methodologies may have a material effect on the estimated fair value amounts. The fair value estimates presented herein are based on pertinent information available to management as of June 30, 2011, December 31, 2010 and June 30, 2010. Such amounts have not been revalued for purposes of these consolidated financial statements since those dates and, therefore, current estimates of fair value may differ significantly from the amounts presented herein.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Cash Equivalents The carrying amount is a reasonable estimate of fair value.

Investment Securities Securities held to maturity are valued at quoted market prices or dealer quotes. The carrying value of Federal Reserve Bank stock and FHLB stock approximates fair value based on their redemption provisions. The carrying value of the Company s investment in unconsolidated subsidiaries approximates fair value. See Note 5 Investment Securities for additional information, as well as page 21 regarding fair value.

Loans For variable-rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values. Fair values for certain mortgage loans (e.g., one-to-four family residential) and other consumer loans are estimated using discounted cash flow analyses based on the Company s current rates offered for new loans of the same type, structure and credit quality. Fair values for other loans (e.g., commercial real estate and investment property mortgage loans, commercial and industrial loans) are estimated using discounted cash flow analyses, using interest rates currently being offered by the Company for loans with similar terms to borrowers of similar credit quality. Fair values for non-performing loans are estimated using discounted cash flow analyses or underlying collateral values, where applicable.

FDIC Receivable for Loss Share Agreements The fair value is estimated based on discounted future cash flows using current discount rates.

Deposit Liabilities The fair values disclosed for demand deposits (e.g., interest and non-interest bearing checking, passbook savings, and certain types of money market accounts) are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amounts). The carrying amounts of variable-rate, fixed-term money market accounts, and certificates of deposit approximate their fair values at the reporting date. Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on time deposits.

Federal Funds Purchased and Securities Sold Under Agreements to Repurchase The carrying amount of federal funds purchased, borrowings under repurchase agreements, and other short-term borrowings maturing within ninety days approximate their fair values.

Other Borrowings The fair value of other borrowings is estimated using discounted cash flow analysis on the Company s current incremental borrowing rates for similar types of instruments.

Accrued Interest The carrying amounts of accrued interest approximate fair value.

Commitments to Extend Credit, Standby Letters of Credit and Financial Guarantees The fair values of commitments to extend credit are estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed-rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates. The fair values of guarantees and letters of credit are based on fees currently charged for similar agreements or on the estimated costs to terminate them or otherwise settle the obligations with the counterparties at the reporting date.

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Note 14 Fair Value (continued)

The estimated fair value, and related carrying amount, of the Company s financial instruments are as follows:

(Dollars in thousands)	June 30, 2011 Carrying Amount	June 30, 2011 Fair Value	December 31, 2010 Carrying Amount	December 31, 2010 Fair Value	June 30, 2010 Carrying Amount	June 30, 2010 Fair Value
Financial assets:						
Cash and cash equivalents	**$ 249,067**	**$ 249,067**	$ 237,099	$ 237,099	$ 187,025	$ 187,025
Investment securities	**249,483**	**250,217**	237,912	238,121	293,917	294,409
Loans, net of allowance for loan losses, and loans held for sale	**2,729,184**	**2,657,878**	2,612,430	2,551,032	2,617,548	2,561,652
FDIC receivable for loss share agreements	**299,200**	**219,577**	212,103	212,103	265,890	265,890
Accrued interest receivable	**11,352**	**11,352**	11,711	11,711	13,600	13,600
Financial liabilities:						
Deposits	**3,205,828**	**3,216,098**	3,004,148	3,014,795	3,011,867	3,024,711
Federal funds purchased and securities sold under agreements to repurchase	**187,550**	**187,550**	191,017	191,017	177,281	177,281
Other borrowings	**46,275**	**46,275**	46,978	46,978	62,557	56,604
Accrued interest payable	**3,152**	**3,152**	4,858	4,858	6,152	6,152
Interest rate swap cash flow hedge	**740**	**740**	635	635	831	831
Off balance sheet financial instruments:						
Commitments to extend credit		**(13,335)**		(13,787)		(9,651)
Standby letters of credit and financial guarantees						

Note 15 Accumulated Other Comprehensive Income (Loss)

The components of the change in other comprehensive income (loss) and the related tax effects were as follows:

(Dollars in thousands)	June 30, 2011 Pre-tax Amount	2011 Tax Effect	2011 Net of Tax Amount	2010 Pre-tax Amount	2010 Tax Effect	2010 Net of Tax Amount
Change in net unrealized gain on securities available for sale	**$ 3,965**	**$ (1,408)**	**2,557**	$ 9,540	$ (3,387)	$ 6,153
Noncredit portion of other-than-temporary impairment losses:						
Total other-than-temporary impairment losses				(6,261)	2,264	(3,997)
Less, reclassification adjustment for portion included in net income				6,261	(2,264)	3,997

Net noncredit portion of other-than-temporary impairment losses											
Change in unrealized losses on derivative financial instruments qualifying as cash flow hedges		**(105)**		**37**		**(68)**		(811)		288		(523)
Other comprehensive income	**$**	**3,860**	**$**	**(1,371)**	**$**	**2,489**	$	8,729	$	(3,099)	$	5,630

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Note 15 Accumulated Other Comprehensive Income (Loss) (continued)

The components of accumulated other comprehensive income (loss), net of tax, were as follows:

(Dollars in thousands)	Benefit Plans	Unrealized (Losses) Gains on Securities Available for Sale	Cash Flow Hedges	Total
Balance at December 31, 2010	$ (4,816)	$ 1,433	$ (409)	$ (3,792)
Change in net unrealized gain on securities available for sale		2,557		2,557
Reclassification of noncredit other-than-temporary impairment losses on available-for-sale securities				
Change in unrealized losses on derivative financial instruments qualifying as cash flow hedges			(68)	(68)
Balance at June 30, 2011	$ (4,816)	$ 3,990	$ (477)	$ (1,303)

Note 16 Derivative Financial Instruments

The Company is exposed to interest rate risk in the course of its business operations and manages a portion of this risk through the use of a derivative financial instrument, in the form of an interest rate swap (cash flow hedge). The Company accounts for its interest rate swap in accordance with FASB ASC 815, Derivatives and Hedging, which requires that all derivatives be recognized as assets or liabilities in the balance sheet at fair value. For more information regarding the fair value of the Company s derivative financial instruments, see Note 15 to these financial statements. The only type of derivative currently used by the Company is an interest rate swap agreement.

The Company utilizes the interest rate swap agreement to essentially convert a portion of its variable-rate debt to a fixed rate (cash flow hedge). For derivatives designated as hedging exposure to variable cash flows of a forecasted transaction (cash flow hedge), the effective portion of the derivative s gain or loss is initially reported as a component of other comprehensive income and subsequently reclassified into earnings when the forecasted transaction affects earnings or when the hedge is terminated. The ineffective portion of the gain or loss is reported in earnings immediately. For derivatives that are not designated as hedging instruments, changes in the fair value of the derivatives are recognized in earnings immediately.

In applying hedge accounting for derivatives, the Company establishes a method for assessing the effectiveness of the hedging derivative and a measurement approach for determining any ineffective aspect of the hedge upon the inception of the hedge.

Cash Flow Hedge of Interest Rate Risk

During 2009, the Company entered into a forward starting interest rate swap agreement with a notional amount of $8.0 million to manage interest rate risk due to periodic rate resets on its junior subordinated debt issued by SCBT Capital Trust II, an unconsolidated subsidiary of the Company established for the purpose of issuing trust preferred securities. The Company hedges the variable rate cash flows of subordinated debt against future interest rate increases by using an interest rate swap to effectively fix the rate on the debt beginning on June 15, 2010, at which time the debt contractually converted from a fixed interest rate to a variable interest rate. This hedge expires on June 15, 2019. The notional amount on which the interest payments are based will not be exchanged. This derivative contract calls for the Company to pay a fixed rate of 4.06% on $8.0 million notional amount and receive a variable rate of three-month LIBOR on the $8.0 million notional amount.

The Company recognized an after-tax unrealized loss on its cash flow hedge in other comprehensive income of $477,000 and $523,000 for the six months ended June 30, 2011 and 2010, respectively. The Company recognized a $740,000 and an $831,000 cash flow hedge liability in other liabilities on the balance sheet at June 30, 2011 and 2010, respectively. There was no ineffectiveness in the cash flow hedge during the six months ended June 30, 2011 and 2010.

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Note 16 Derivative Financial Instruments (continued)

Credit risk related to the derivative arises when amounts receivable from the counterparty (derivative dealer) exceed those payable. The Company controls the risk of loss by only transacting with derivative dealers that are national market makers whose credit ratings are strong. Each party to the interest rate swap is required to provide collateral in the form of cash or securities to the counterparty when the counterparty s exposure to a mark-to-market replacement value exceeds certain negotiated limits. These limits are typically based on current credit ratings and vary with ratings changes. As of June 30, 2011 and 2010, SCBT was required to provide $900,000 and $150,000 of collateral, respectively. Also, the Company has a netting agreement with the counterparty.

Note 17 Subsequent Events

The Company has evaluated subsequent events for accounting and disclosure purposes through the date the financial statements are issued.

Purchase and Assumption Agreement

On July 29, 2011, the Company entered into a purchase and assumption (P&A) agreement with loss share arrangements with the FDIC to purchase certain assets and assume substantially all of the deposits and certain liabilities of BankMeridian, N.A., a full service community bank headquartered in Columbia, South Carolina.

BankMeridian operated 3 branches in Columbia, Spartanburg, and Hilton Head, South Carolina. Excluding the effects of purchase accounting, the Company acquired $239.8 million in total assets, including loans of $176.1 million, and assumed $236.8 million in total liabilities, including $215.5 million in deposits, based on March 31, 2011 unaudited balances.

Pursuant to the P&A agreement, SCBT, N.A. received a discount of $30.8 million on the assets acquired and did not pay the FDIC a premium to assume all customer deposits. Most of the loans and foreclosed real estate purchased are covered by a loss share agreement between the FDIC and SCBT, N.A. Under this loss share agreement, the FDIC has agreed to cover 80% of loan and foreclosed real estate losses.

The loss sharing agreement applicable to single family residential mortgage loans provides for loss sharing with the FDIC for up to ten years, and for commercial loans and other covered assets provides for loss sharing for up to five years with the FDIC.

The Company did not immediately acquire the real estate, banking facilities, furniture or equipment of BankMeridian as a part of the P&A agreement. However, the Company has the option to purchase the real estate and furniture and equipment from the FDIC. The term of this option expires approximately 90 days from the date of the acquisition.

The acquisition will be accounted for under the acquisition method of accounting in accordance with ASC 805, *Business Combinations*. Both the purchased assets and liabilities assumed will be recorded at their respective acquisition date fair values. Determining the fair value of assets and liabilities, especially the loan portfolio and foreclosed real estate, is a complicated process involving significant judgment regarding estimates and assumptions used to calculate estimated fair values. Accordingly, the initial accounting for the acquisition of BankMeridian is currently incomplete. The Company expects to record an acquisition gain in connection with the transaction during the three months ended September 30, 2011; however, since the initial purchase accounting adjustments have not been finalized, the Company is unable to provide the amount or a range of the ultimate acquisition gain, or the estimated fair values of the acquired assets and assumed liabilities of BankMeridian, at the present time. The impact of the purchase accounting adjustments in an FDIC-assisted deal are also integral to accurately assessing the impact of the acquired entity on the operations of the Company. Disclosure of pro forma financial information is also made more difficult by the troubled nature of BankMeridian prior to the date of the combination. Therefore, pro forma financial information is not considered meaningful or currently possible for purposes of these consolidated financial statements.

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Item 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management s Discussion and Analysis of Financial Condition and Results of Operations relates to the financial statements contained in this Quarterly Report beginning on page 1. For further information, refer to Management s Discussion and Analysis of Financial Condition and Results of Operations appearing in the Annual Report on Form 10-K for the year ended December 31, 2010.

Overview

We are a bank holding company headquartered in Columbia, South Carolina, and were incorporated under the laws of South Carolina in 1985. We provide a wide range of banking services and products to our customers through our wholly-owned bank subsidiary, SCBT, N.A. (the bank), a national bank that opened for business in 1934. We operate as NCBT, a division of the bank, in Mecklenburg County of North Carolina, and Community Bank & Trust (CBT), a division of the bank, in northeast Georgia. During the second quarter of 2011 and along with the system conversion of the operations of Habersham to our operating platform, the Georgia franchise now operates as CBT, a division of SCBT, N.A. We do not engage in any significant operations other than the ownership of our banking subsidiary.

At June 30, 2011, we had approximately $3.8 billion in assets and 1,087 full-time equivalent employees. Through the bank, we provide our customers with checking accounts, NOW accounts, savings and time deposits of various types, brokerage services and alternative investment products such as annuities and mutual funds, trust and asset management services, business loans, agriculture loans, real estate loans, personal use loans, home improvement loans, automobile loans, credit cards, letters of credit, home equity lines of credit, safe deposit boxes, bank money orders, wire transfer services, correspondent banking services, and use of ATM facilities.

We have pursued, and continue to pursue, a growth strategy that focuses on organic growth, supplemented by acquisition of select financial institutions, branches, or failed bank assets and liabilities in certain market areas.

The following discussion describes our results of operations for the quarter ended June 30, 2011 as compared to the quarter ended June 30, 2010 and also analyzes our financial condition as of June 30, 2011 as compared to December 31, 2010 and June 30, 2010. Like most financial institutions, we derive most of our income from interest we receive on our loans and investments. Our primary source of funds for making these loans and investments is our deposits, on which we may pay interest. Consequently, one of the key measures of our success is the amount of our net interest income, or the difference between the income on our interest-earning assets, such as loans and investments, and the expense on our interest-bearing liabilities, such as deposits. Another key measure is the spread between the yield we earn on these interest-earning assets and the rate we pay on our interest-bearing liabilities.

Of course, there are risks inherent in all loans, so we maintain an allowance for loan losses (sometimes referred to as ALLL) to absorb probable losses on existing loans that may become uncollectible. We establish and maintain this allowance by charging a provision for loan losses against our operating earnings. In the following section, we have included a detailed discussion of this process.

In addition to earning interest on our loans and investments, we earn income through fees and other expenses we charge to our customers. We describe the various components of this noninterest income, as well as our noninterest expense, in the following discussion.

The following section also identifies significant factors that have affected our financial position and operating results during the periods included in the accompanying financial statements. We encourage you to read this discussion and analysis in conjunction with the financial statements and the related notes and the other statistical information also included in this report.

Recent Events

Purchase and Assumption Agreement BankMeridian

On July 29, 2011, the Company entered into a purchase and assumption (P&A) agreement with loss share arrangements with the FDIC to purchase certain assets and assume substantially all of the deposits and certain liabilities of BankMeridian, N.A., a full service community bank headquartered in Columbia, South Carolina. See Note 17 Subsequent Events for further discussion.

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Purchase and Assumption Agreement Habersham Bank

On February 18, 2011, the Bank entered into a purchase and assumption (P&A) agreement with loss share arrangements with the FDIC to purchase certain assets and assume substantially all of the deposits and certain liabilities of Habersham Bank (Habersham), a full service Georgia state-chartered community bank headquartered in Clarkesville, Georgia. Habersham operated eight branches in the northeast region of Georgia. In June of 2010, we closed three Habersham branches and four CBT branches and converted the operating system of the acquired franchise. Please reference Note 4 Mergers and Acquisitions in the unaudited condensed consolidated financial statements within PART I, Item 1 Financial Statements.

Private Placement

The Company entered into a Securities Purchase Agreement, effective as of February 18, 2011 (the Purchase Agreement), with accredited institutional investors (collectively, the Purchasers), pursuant to which the Company sold a total of 1,129,032 shares of its common stock at a purchase price of $31.00 per share (the Private Placement). The proceeds to the Company from the Private Placement were $34.8 million, net of approximately $160,000 in issuance costs. The Private Placement was completed on February 18, 2011 and was contingent on a successful bid for Habersham.

The Private Placement was made pursuant to the Purchase Agreement and was exempt from registration under the Securities Act of 1933 pursuant to Section 4(2) thereof and Rule 506 of Regulation D promulgated there under. All purchasers in the Private Placement were accredited investors, as defined in Rule 501(a) of Regulation D.

Government Actions

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) limits on interchange transaction fees that banks receive from merchants via card networks like Visa, Inc. and MasterCard, Inc. when a customer uses a debit card. In June 2011, the Federal Reserve approved a final debit card interchange rule in accordance with the Dodd-Frank Act. The final rule caps an issuer s base fee at 21 cents per transaction and allows an additional 5 basis point charge per transaction to help cover fraud losses. Although the rule technically does not apply to institutions with less than $10 billion in assets, such as the bank, the price controls may affect institutions with less than $10 billion in assets, such as the bank, which could be pressured by the marketplace to lower their own interchange rates. We believe that regulations promulgated under the Dodd-Frank Act also will ultimately impose significant new compliance costs. We will continue to monitor the regulations as they are implemented and will review our policies, products and procedures to insure full compliance but also attempt to minimize any negative impact on our operations.

On July 21, 2011, the Federal Reserve s Final Rule repealing Regulation Q, which prohibited Federal Reserve banks from paying interest on demand deposits, became effective. As a result of this repeal, our bank may incur increased interest costs of funding in the form of interest payments on demand deposit accounts.

For additional information on recent government actions, please reference PART II, Item 1A, Risk Factors on page 64 of this Form 10-Q and the caption Government Actions within PART I, Item 1 Business in our Annual Report on Form 10-K for the year ended December 31, 2010.

Critical Accounting Policies

We have established various accounting policies that govern the application of accounting principles generally accepted in the United States in the preparation of our financial statements. Significant accounting policies are described in Note 1 to the audited consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2010. These policies may involve significant judgments and estimates that have a material impact on the carrying value of certain assets and liabilities. Different assumptions made in the application of these policies could result in material changes in our financial position and results of operations.

Allowance for Loan Losses

The allowance for loan losses reflects the estimated losses that will result from the inability of our bank s borrowers to make required loan payments. In determining an appropriate level for the allowance, we identify portions applicable to specific loans as well as providing amounts that are not identified with any specific loan but are derived with reference to actual loss experience, loan types, loan volumes, economic conditions, and industry standards. Changes in these factors may cause our estimate of the allowance to increase or decrease and result in adjustments to the provision for loan losses. See Note 6 Loans and Allowance for Loan Losses in this 10-Q, Provision for Loan Losses and Nonperforming Assets in this MD&A and Allowance for Loan Losses in

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Note 1 to the audited consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2010 for further detailed descriptions of our estimation process and methodology related to the allowance for loan losses.

Goodwill and Other Intangible Assets

Goodwill represents the excess of the purchase price over the sum of the estimated fair values of the tangible and identifiable intangible assets acquired less the estimated fair value of the liabilities assumed. As of June 30, 2011, December 31, 2010 and June 30, 2010, the balance of goodwill was $62.9 million. Goodwill has an indefinite useful life and is evaluated for impairment annually or more frequently if events and circumstances indicate that the asset might be impaired. An impairment loss is recognized to the extent that the carrying amount exceeds the asset s fair value. The goodwill impairment analysis is a two-step test. The first step, used to identify potential impairment, involves comparing each reporting unit s estimated fair value to its carrying value, including goodwill. If the estimated fair value of a reporting unit exceeds its carrying value, goodwill is considered not to be impaired. If the carrying value exceeds estimated fair value, there is an indication of potential impairment and the second step is performed to measure the amount of impairment.

If required, the second step involves calculating an implied fair value of goodwill for each reporting unit for which the first step indicated impairment. The implied fair value of goodwill is determined in a manner similar to the amount of goodwill calculated in a business combination, by measuring the excess of the estimated fair value of the reporting unit, as determined in the first step, over the aggregate estimated fair values of the individual assets, liabilities and identifiable intangibles as if the reporting unit was being acquired in a business combination. If the implied fair value of goodwill exceeds the carrying value of goodwill assigned to the reporting unit, there is no impairment. If the carrying value of goodwill assigned to a reporting unit exceeds the implied fair value of the goodwill, an impairment charge is recorded for the excess. An impairment loss cannot exceed the carrying value of goodwill assigned to a reporting unit, and the loss establishes a new basis in the goodwill. Subsequent reversal of goodwill impairment losses is not permitted. Management has determined that the Company has one reporting unit.

Our stock price has historically traded above its book value and tangible book value. The lowest trading price during the first six months of 2011 was $27.10 per share, and the stock price closed on June 30, 2011 at $28.68, which is above book value and tangible book value. In the event our stock were to trade below its book value at any time during the reporting period, we would consider performing an evaluation of the carrying value of goodwill as of the reporting date. Such a circumstance would be one factor in our evaluation that could result in an eventual goodwill impairment charge. We evaluated the carrying value of goodwill as of April 30, 2011, our annual test date, and determined that no impairment charge was necessary. Additionally, should our future earnings and cash flows decline and/or discount rates increase, an impairment charge to goodwill and other intangible assets may be required.

Core deposit intangibles, included in other assets in the condensed consolidated balance sheets, consist of costs that resulted from the acquisition of deposits from other commercial banks or the estimated fair value of these assets acquired through business combinations. Core deposit intangibles represent the estimated value of long-term deposit relationships acquired in these transactions. These costs are amortized over the estimated useful lives of the deposit accounts acquired on a method that we believe reasonably approximates the anticipated benefit stream from the accounts. The estimated useful lives are periodically reviewed for reasonableness.

Income Taxes and Deferred Tax Assets

Income taxes are provided for the tax effects of the transactions reported in the accompanying consolidated financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis of available-for-sale securities, allowance for loan losses, accumulated depreciation, net operating loss carryforwards, accretion income, deferred compensation, intangible assets, and pension plan and post-retirement benefits. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred tax assets and liabilities are reflected at income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. The Company files a consolidated federal income tax return with its subsidiary.

The Company recognizes interest and penalties accrued relative to unrecognized tax benefits in its respective federal or state income taxes accounts. As of December 31, 2010, there were no accruals for uncertain tax positions and no accruals for interest and penalties. The Company and its subsidiary file a consolidated United States federal income tax return, as well as income tax returns for its subsidiary in the state of South Carolina, Georgia, and North Carolina. The Company s filed income tax returns are no longer subject to examination by taxing authorities for years before 2007.

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Other-Than-Temporary Impairment (OTTI)

We evaluate securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, (3) the outlook for receiving the contractual cash flows of the investments, (4) the anticipated outlook for changes in the general level of interest rates, and (5) our intent and ability to retain our investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value or for a debt security whether it is more-likely-than-not that the Company will be required to sell the debt security prior to recovering its fair value. For further discussion of the Company s evaluation of securities for other-than-temporary impairment, see Note 5 to the unaudited condensed consolidated financial statements.

Other Real Estate Owned (OREO)

OREO, consisting of properties obtained through foreclosure or through a deed in lieu of foreclosure in satisfaction of loans or through reclassification of former branch sites, is reported at the lower of cost or fair value, determined on the basis of current appraisals, comparable sales, and other estimates of value obtained principally from independent sources, adjusted for estimated selling costs. Management also considers other factors, including changes in absorption rates, length of time the property has been on the market and anticipated sales values, which have resulted in adjustments to the collateral value estimates indicated in certain appraisals. At the time of foreclosure or initial possession of collateral, any excess of the loan balance over the fair value of the real estate held as collateral is treated as a charge against the allowance for loan losses.

Subsequent declines in the fair value of OREO below the new cost basis are recorded through valuation adjustments. Significant judgments and complex estimates are required in estimating the fair value of other real estate, and the period of time within which such estimates can be considered current is significantly shortened during periods of market volatility. In response to market conditions and other economic factors, management may utilize liquidation sales as part of its problem asset disposition strategy. As a result of the significant judgments required in estimating fair value and the variables involved in different methods of disposition, the net proceeds realized from sales transactions could differ significantly from appraisals, comparable sales, and other estimates used to determine the fair value of other real estate. Management reviews the value of other real estate each quarter and adjusts the values as appropriate. Revenue and expenses from OREO operations as well as gains or losses on sales and any subsequent adjustments to the value are recorded as OREO expense and loan related expense, a component of non-interest expense, and, for covered OREO, offset with an increase in the FDIC indemnification asset.

Business Combinations, Method of Accounting for Loans Acquired, and FDIC Indemnification Asset

We account for acquisitions under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 805, *Business Combinations*, which requires the use of the acquisition method of accounting. All identifiable assets acquired, including loans, are recorded at fair value. No allowance for loan losses related to the acquired loans is recorded on the acquisition date because the fair value of the loans acquired incorporates assumptions regarding credit risk.

Acquired credit-impaired loans are accounted for under the accounting guidance for loans and debt securities acquired with deteriorated credit quality, found in FASB ASC Topic 310-30, *Receivables Loans and Debt Securities Acquired with Deteriorated Credit Quality,* formerly

American Institute of Certified Public Accountants (AICPA) Statement of Position (SOP) 03-3, *Accounting for Certain Loans or Debt Securities Acquired in a Transfer*, and initially measured at fair value, which includes estimated future credit losses expected to be incurred over the life of the loans. Loans acquired in business combinations with evidence of credit deterioration are considered impaired. Loans acquired through business combinations that do not meet the specific criteria of FASB ASC Topic 310-30, but for which a discount is attributable, at least in part to credit quality, are also accounted for under this guidance.

In accordance with FASB ASC Topic 805, the FDIC indemnification asset was initially recorded at its fair value and is measured separately from the loan assets and foreclosed assets because the loss sharing agreements are not contractually embedded in them or transferrable with them in the event of disposal.

For further discussion of the Company s loan accounting and acquisitions, see Note 2 Summary of Significant Accounting Policies, Note 4 Mergers and Acquisitions to the unaudited condensed consolidated financial statements and Note 6 Loans and Allowance for Loan Losses.

Results of Operations

We reported consolidated net income available to common shareholders of $4.9 million, or diluted earnings per share (EPS) of $0.35, for the second quarter of 2011 as compared to consolidated net income available to common shareholders of

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$575,000, or diluted EPS of $0.05, in the comparable period of 2010. This $4.3 million increase was the net result of the following items:

- Improved net interest income of $6.8 million due primarily to the improved yields of acquired loans and reduced interest expense in both deposits and other borrowings;

- Improved provision for loan losses which decreased by $8.3 million over the comparable quarter for the non-acquired SCBT loan portfolio; offset by a

- Decrease in non-interest income by $2.2 million due primarily to a decrease in the accretion on the FDIC indemnification asset, which was offset by improved non-interest income in all other categories, except mortgage banking income; and an

- Increase in non-interest expenses by $6.1 million, with $1.7 million of this from the addition of HB; excluding HB expenses, the increases consisted of $1.8 million in salaries and benefits; $1.9 million related to OREO and loan related expenses; $1.2 million in other expenses and $465,000 in net occupancy; offset by a $740,000 decline in marketing and advertising and $366,000 decrease in merger expenses.

We believe our asset quality related to non-acquired loans continues to be at manageable levels despite the increase of nonperforming assets in total dollars to $93.7 million from $90.8 million at March 31, 2011, and from $85.9 million at June 30, 2010. As a percentage of total assets (excluding covered assets) total NPAs increased to 2.44% at June 30, 2011 compared to 2.37% at June 30, 2010. Non-acquired nonperforming assets increased 9.2% from the second quarter of 2010. Net charge-offs as a percentage of average loans decreased to 0.71% from 1.41% in the second quarter of 2010 and 1.53% in the first quarter of 2011. The allowance for loan losses decreased to 2.00% of total loans at June 30, 2011 compared to 2.07% at June 30, 2010, and 2.05% at March 31, 2011. Our allowance provides 0.70 times coverage of nonperforming loans at June 30, 2011, higher from 0.61 times at June 30, 2010, and 0.68 times at March 31, 2011. During the second quarter of 2011, our OREO not covered under FDIC loss share agreements increased by $15.1 million from the second quarter of 2010, and by $5.1 million from March 31, 2011.

Accounting for Acquired Loans

The Company performs ongoing assessments of the estimated cash flows of its acquired loan portfolios. Increases in cash flow expectations result in a favorable adjustment to interest income over the remaining life of the related loans, and decreases in cash flow expectations result in an immediate recognition of a provision for loans losses, in both cases, net of any adjustments to the receivable from the FDIC for loss sharing. These ongoing assessments of the acquired CBT loan portfolio resulted in a positive impact to interest income from a reduction in expected credit losses, which was largely offset by a charge to noninterest income for the impact of reduced cash flows from the FDIC under the loss share agreement. Below are the specifics relative to the review of the acquired loan portfolio during the second quarter and the related impact on the indemnification asset:

- The review of the performance of the portfolio during the second quarter resulted in a minor reduction in the overall loss expectation for these loans;

- Principally, as a result of the credit loss improvement of certain pools in the first quarter, there was approximately a $4.5 million increase in the loan yield compared to $1.4 million increase in the first quarter ;

- With the reduction in the credit loss expectations for certain pools from the first quarter ($36 million), the impact on the receivable from the FDIC is a reduction in expected cash flows; and

- The reduced cash flow on this asset caused the accretion to turn negative in an amount equal to $4.0 million for the second quarter which substantially offsets the interest income benefit above.

Compared to the second quarter of 2010, our loan portfolio has increased 5.0% to $2.8 billion, driven by growth in all loan categories except construction / land development and acquired loans. Excluding the acquired loan portfolio, our loans grew by 8.0% or $178.2 million from the second quarter of 2010. The largest increases within the non-acquired loan portfolio occurred in commercial owner occupied by $166.4 million, or 33.1%, consumer owner occupied by $60.5 million, or 19.7%, consumer by $16.9 million, or 26.8%, and home equity loans by $11.7 million, or 4.7%. For the three months ended June 30, 2011, mortgage loans originated and sold in the secondary market grew by $7.2 million as refinancing activity and home sales improved seasonally.

Non-taxable equivalent net interest income for the quarter increased 22.0%. Non-taxable equivalent net interest margin increased by 63 basis points to 4.62% from the second quarter of 2010 of 3.99% and by 49 basis points from the most recent quarter March 31, 2011, due to improved expected cash flows of interest income on acquired loans over the expected remaining life of these loans and reduced interest expense on both time deposits and other borrowings. Excess liquidity resulting from the FDIC-assisted acquisition of HB and continued gathering of core deposits continues to compress the net interest margin. The effect (reduction) on our net interest margin was estimated to be 29 basis points during the second quarter of 2011 consistent with the first quarter of 2011. Our quarterly efficiency ratio increased to 74.3% compared to 70.2% in the first quarter of 2011. The increase in the efficiency ratio

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reflects lower noninterest income due to the decrease in the accretion on the FDIC indemnification asset as well as the gain on the HB acquisition in the first quarter and increased noninterest expense offset by improved net interest income.

Diluted EPS increased to $0.35 for the second quarter of 2011 from $0.05 for the comparable period in 2010. Basic EPS increased to $0.36 for the second quarter of 2011 from $0.05 for the comparable period in 2010. The increase in both diluted and basic EPS reflects the increase in net interest income and decrease in the provision for loan losses offset by the increase in noninterest expense and decrease in noninterest income.

	Three Months Ended June 30,		Six Months Ended June 30,	
Selected Figures and Ratios	**2011**	**2010**	**2011**	**2010**
Return on average assets (annualized)	**0.50%**	0.06%	**0.39%**	2.79%
Return on average equity (annualized)	**5.35%**	0.69%	**4.19%**	29.70%
Return on average tangible equity (annualized)*	**7.16%**	1.42%	**5.72%**	38.23%
Dividend payout ratio **	**94.45%**	4.43%	**154.39%**	8.59%
Equity to assets ratio	**9.66%**	9.25%	**9.66%**	9.25%
Average shareholders equity (in thousands)	**$ 369,019**	$ 336,424	**$ 358,111**	$ 336,369

* - Ratio is a non-GAAP financial measure. The section titled Reconciliation of Non-GAAP to GAAP below provides a table that reconciles non-GAAP measures to GAAP measures.

** - See explanation of the change in dividend payout ratio below.

- For the three months ended June 30, 2011, return on average assets (ROAA), return on average equity (ROAE) and return on average tangible equity increased compared to the same quarter in 2010. The increase was driven by a 755.3% increase in net income available to common shareholders from the comparable quarter in 2010 partially offset by an increase in average assets due to the acquisition of Habersham.

- Dividend payout ratio decreased to 94.45% for the three months ended June 30, 2011 compared with 424.0% for the three months ended March 31, 2011 and increased compared to 4.43% for the three months ended June 30, 2010. The increase from the comparable period in 2010 reflects the higher net income in the second quarter of 2011 generated by the net result of a decrease in noninterest income primarily due to the negative accretion on the FDIC indemnification asset, an increase in noninterest expense related to OREO and loan related expenses and the addition of Habersham, offset by an increase in net interest income and a decrease in the provision for loan losses. The dividend payout ratio is calculated by dividing total dividends paid during the quarter by the total net income reported in the prior quarter.

- Equity to assets ratio increased to 9.66% at June 30, 2011 compared with 9.24% at March 31, 2011 and 9.25% at June 30, 2010. The increase in the equity to assets ratio reflects a 6.1% increase in assets as a result of the Habersham acquisition compared to the 10.9% increase in equity as a result of the private placement and Habersham acquisition.

- Average shareholders equity increased $32.6 million, or 9.7%, from second quarter ended June 30, 2010 driven by the increase in shareholders equity related to the private placement and the gain on the Habersham acquisition during the first quarter of 2011.

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Reconciliation of Non-GAAP to GAAP

(Dollars in thousands)	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Return on average tangible equity (non-GAAP)	**7.16%**	1.42%	**5.72%**	38.23%
Effect to adjust for intangible assets	**-1.81%**	-0.73%	**-1.53%**	-8.53%
Return on average equity (GAAP)	**5.35%**	0.69%	**4.19%**	29.70%
Adjusted average shareholders equity (non-GAAP)	**$ 293,913**	$ 262,809	**$ 284,047**	$ 263,899
Average intangible assets	**75,106**	73,615	**74,064**	72,470
Average shareholders equity (GAAP)	**$ 369,019**	$ 336,424	**$ 358,111**	$ 336,369
Adjusted net income (non-GAAP)	**$ 5,248**	$ 937	**$ 8,055**	$ 50,035
Amortization of intangibles	**(505)**	(437)	**(951)**	(781)
Tax effect	**175**	75	**330**	282
Net income (GAAP)	**$ 4,918**	$ 575	**$ 7,434**	$ 49,536

The return on average tangible equity is a non-GAAP financial measure. It excludes the effect of the average balance of intangible assets and adds back the after-tax amortization of intangibles to GAAP basis net income. Management believes that this non-GAAP tangible measure provides additional useful information, particularly since this measure is widely used by industry analysts following companies with prior merger and acquisition activities. Non-GAAP measures should not be considered as an alternative to any measure of performance or financial condition as promulgated under GAAP, and investors should consider the company s performance and financial condition as reported under GAAP and all other relevant information when assessing the performance or financial condition of the company. Non-GAAP measures have limitations as analytical tools, and investors should not consider them in isolation or as a substitute for analysis of our results or financial condition as reported under GAAP.

Net Interest Income and Margin

Summary

Our taxable equivalent (TE) net interest margin grew from the second quarter of 2010 and from the first quarter of 2011. This increase resulted from improved yields of covered loans and reduced interest expense in both deposits and other borrowings. The improved yield was substantially offset by the negative accretion on the indemnification asset recognized in noninterest income, from reduced cash flows under the loss share agreement (LSA). Non-TE and TE net interest margin increased by 49 basis points and 49 basis points, respectively, from the quarter ended March 31, 2011. Non-TE and TE net interest margin increased by 63 basis points and 63 basis points, respectively, from the quarter ended June 30, 2010.

SCBT remained in an excess liquidity position during the second quarter of 2011, which had the effect of dampening the net interest margin by an estimated 29 basis points consistent with the first quarter of 2011. The improvement in linked quarter net interest margin was also the result of reducing the pricing of funding faster than the decline in interest earning assets. The rate earned on interest earning assets grew by 33 basis points from the first quarter of 2011, while interest bearing liabilities declined by 17 basis points. While the average balance of total non-acquired loans (excluding mortgage loans held for sale) increased $168.5 million from the second quarter of 2010 and by $56.3 million from the first quarter of 2011, the rate earned on these asset declined by 11 basis points, respectively.

Net interest income increased from the second quarter of 2010 and was driven primarily by reduced yield on interest bearing liabilities including deposits and other borrowings. Certificates of Deposit average rate declined by 50 basis points compared to the same quarter one year ago, and declined by 17 basis points from the first quarter of 2011. The result was a decline in interest expense of $2.6 million. Non-TE net interest income increased from the second quarter of 2010 as a result of a volume increase in interest-earning assets as well as a 26 basis point increase in the average yield. Loan volume was up and partially offset by investment securities. The increase in interest income was $4.2 million driven by the increase in loan volume from both the HB acquisition and organic loan growth as well as improved yields on the acquired loan portfolio.

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(Dollars in thousands)	Three Months Ended June 30, 2011	2010	Six Months Ended June 30, 2011	2010
Non-TE net interest income	**$ 38,002**	$ 31,160	**$ 70,848**	$ 59,791
Non-TE yield on interest-earning assets	**5.27%**	5.01%	**5.11%**	5.00%
Non-TE rate on interest-bearing liabilities	**0.73%**	1.12%	**0.81%**	1.21%
Non-TE net interest margin	**4.62%**	3.99%	**4.39%**	3.92%
TE net interest margin	**4.67%**	4.04%	**4.43%**	3.97%

Non-TE net interest income increased $6.8 million, or 22.0%, in the second quarter of 2011 compared to the same period in 2010. Some key highlights are outlined below:

- Average interest-earning assets increased 5.4% to $3.3 billion in the second quarter of 2011 compared to the same period last year due largely to the acquisition of Habersham.

- Non-TE yield on interest-earning assets for the second quarter of 2011 increased 26 basis points from the comparable period in 2010, and by 33 basis points from the first quarter of 2011. The yield on a portion of our earning assets adjusts simultaneously, but to varying degrees of magnitude, with changes in the general level of interest rates.

- The average cost of interest-bearing liabilities for the second quarter of 2011 decreased 39 basis points from the same period in 2010, and decreased by 17 basis points compared to the first quarter of 2010. The decrease since the second quarter of 2010 and the first quarter 2011 is a reflection of the impact of average yields on certificates of deposits repricing lower and the payoff of FHLB advances during the second quarter of 2010.

- TE net interest margin increased by 63 basis points in the second quarter of 2011, compared to the second quarter of 2010. Compared to the first quarter of 2011, TE net interest margin increased by 49 basis points.

Loans

Total loans, net of deferred loan costs and fees, (excluding mortgage loans held for sale) increased by $132.1 million, or 5.0%, at June 30, 2011 as compared to the same period in 2010. Acquired loans decreased by $46.1 million. The increase from the addition of loans acquired in the Habersham acquisition was offset by the decline in acquired CBT loans. Non-acquired loans or legacy SCBT loans increased by $178.2 million, or 8.0%, at June 30, 2011 as compared to the same period in 2010. The increase was driven by loan growth in commercial owner occupied loans of $166.4 million, consumer owner occupied loans of $60.5 million, home equity loans of $11.7 million, consumer non-real estate of $16.9 million, other income producing property of $7.1 million, and commercial and industrial of $3.0 million. Offsetting the growth were reductions in construction and land development loans of $84.6 million, commercial non-owner occupied of $2.3 million, and other loans of $751,000.

The following table presents a summary of the loan portfolio by category:

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(Dollars in thousands)		June 30, 2011	% of Total		December 31, 2010	% of Total		June 30, 2010	% of Total
Acquired loans	$	**367,491**	**13.3%**	$	321,038	12.3%	$	413,549	15.7%
Non-acquired loans:									
Commercial non-owner occupied real estate:									
Construction and land development		**338,288**	**12.2%**		391,987	15.0%		422,866	16.0%
Commercial non-owner occupied		**306,698**	**11.1%**		320,203	12.2%		308,980	11.7%
Total commercial non-owner occupied real estate		**644,986**	**23.3%**		712,190	27.2%		731,846	27.7%
Consumer real estate:									
Consumer owner occupied		**367,910**	**13.3%**		325,470	12.4%		307,398	11.6%
Home equity loans		**263,667**	**9.5%**		263,961	10.1%		251,951	9.5%
Total consumer real estate		**631,577**	**22.8%**		589,431	22.5%		559,349	21.2%
Commercial owner occupied real estate		**669,223**	**24.1%**		578,587	22.1%		502,795	19.0%
Commercial and industrial		**215,901**	**7.8%**		202,987	7.8%		212,863	8.1%
Other income producing property		**133,152**	**4.8%**		124,431	4.8%		126,004	4.8%
Consumer non real estate		**80,072**	**2.9%**		67,768	2.6%		63,133	2.4%
Other		**30,702**	**1.0%**		20,806	0.7%		31,452	1.1%
Total non-acquired loans		**2,405,613**	**86.7%**		2,296,200	87.7%		2,227,442	84.3%
Total loans (net of unearned income)	$	**2,773,104**	**100.0%**	$	2,617,238	100.0%	$	2,640,991	100.0%

Note: Loan data excludes mortgage loans held for sale.

Loans are our largest category of earning assets. During 2010 and the first half of 2011, we acquired loans that equated to 13.3% of the total loan portfolio. Due to the addition of acquired loans, the percentage of all the other loan categories decreased even though most loan portfolio s increased in dollars, such as commercial owner-occupied, consumer owner occupied loans and home equity loans. Non-acquired commercial non-owner occupied real estate loans represented 23.3% of total loans as of June 30, 2011 a decrease from 27.7% of total loans at the end of the same period for 2010 and 27.2% of total loans at year ended December 31, 2010. At June 30, 2011, non-acquired construction and land development loans represented 12.2% of our total loan portfolio, a decrease from 16.0% of our total loan portfolio at June 30, 2010. At June 30, 2011, non-acquired construction and land development loans consisted of $225.3 million in land and lot loans and $112.9 million in construction loans, which represented 9.4% and 4.7%, respectively, of our total non-acquired loan portfolio. At December 31, 2010, non-acquired construction and land development loans consisted of $251.5 million in land and lot loans and $140.5 million in construction loans, which represented 11.0% and 6.1%, respectively, of our total non-acquired loan portfolio.

(Dollars in thousands)		Three Months Ended June 30, 2011		2010		Six Months Ended June 30, 2011		2010
Average total loans	$	**2,758,710**	$	2,625,640	$	**2,714,413**	$	2,557,122
Interest income on total loans		**40,844**		35,796		**77,530**		69,848
Non-TE yield		**5.94%**		5.47%		**5.76%**		5.51%

Interest earned on loans increased $5.0 million, or 14.1%, in the second quarter of 2011 compared to the second quarter of 2010. Some key highlights for the quarter ended June 30, 2011 are outlined below:

- Our non-TE yield on total loans increased 47 basis points during the second quarter of 2011 while average total loans increased 5.1%, as compared to the second quarter of 2010. The increase in average total loans was a result of the growth in both non-acquired loans and acquired loans, as we acquired Habersham during the first quarter of 2011. The acquired loan portfolio effective yield improved due to improved cash flows and reduced credit loss expectations. This resulted in a yield of 11.2%, compared to approximately 5.0% one year ago.

- Acquired loans had a balance of $367.5 million at the end of the second quarter of 2011 compared to $413.5 million in 2010.

- Construction and land development loans decreased $84.6 million, or 20.0%, to $338.3 million from the ending balance at June 30, 2010. We have continued to reduce the level of these loans in our portfolio given the current economic environment and the risk involved.

- Commercial non-owner occupied loans decreased $2.3 million, or 0.7%, to $306.7 million from the ending balance at June 30, 2010.

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- Consumer real estate loans increased $72.2 million, or 12.9%, to $631.6 million from the ending balance at June 30, 2010. The increase resulted from a $60.5 million, or 19.7%, in consumer owner occupied loans and a $11.7 million, or 4.7%, increase in home equity lines of credit (HELOCs) from the balance at June 30, 2010.

- Commercial owner occupied loans increased $166.4 million, or 33.1%, to $669.2 million from the ending balance at June 30, 2010.

- Other income producing property loans increased $7.1 million, or 5.7%, to $133.2 million from the ending balance at June 30, 2010.

- Consumer non real estate loans increased $16.9 million, or 26.8%, to $80.1 million from the ending balance at June 30, 2010.

- Commercial loans and HELOCs with interest rate floors locked in above 5.00% had a balance of $259.4 million which has helped keep our non-TE yield up even as interest rates have declined since June 30, 2010.

The balance of mortgage loans held for sale decreased $24.7 million from December 31, 2010 to $18.0 million at June 30, 2011, and decreased by $4.8 million compared to the balance of mortgage loans held for sale at June 30, 2010 of $22.7 million. This decrease from the end of the year primarily reflects the seasonality of home buying in the first half of the year and modest rise in mortgage interest rates. The decrease over the prior year is a reflection of the decline in customer demand for mortgage refinancing compared to activity in 2010.

Investment Securities

We use investment securities, our second largest category of earning assets, to generate interest income through the employment of excess funds, to provide liquidity, to fund loan demand or deposit liquidation, and to pledge as collateral for public funds deposits and repurchase agreements. At June 30, 2011, the composition of the portfolio changed somewhat from the composition at June 30, 2010. At June 30, 2011, investment securities totaled $249.5 million, compared to $237.9 million at December 31, 2010 and $293.9 million at June 30, 2010. The decrease in investment securities from the comparable period of 2010 was primarily the result of the sale of $44.7 million in securities during the fourth quarter of 2010 and resulted in average and period-end balances decreasing by 22.5% and 15.1%, respectively, from June 30, 2010.

(Dollars in thousands)	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Average investment securities	**$ 236,798**	$ 305,536	**$ 242,527**	$ 293,776
Interest income on investment securities	**1,976**	2,904	**4,048**	5,683
Non-TE yield	**3.35%**	3.81%	**3.37%**	3.90%

Interest earned on investment securities decreased 32.0% in the second quarter of 2011 compared to the second quarter of 2010. The decrease resulted from a 22.5% decrease in balances of average investment securities resulting largely from the sale of $44.7 million in GSE debt, mortgage-backed securities, and seven of the eight pooled trust preferred securities in the fourth quarter of 2010, and maturing or called securities that were purchased in higher interest rate environments.

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Our holdings of GSE debt, state and municipal obligations, mortgage-backed securities, and equity securities at June 30, 2011 had fair market values that, on a net basis, exceeded their book values and result in an unrealized gain. During the first quarter of 2011, we sold our position in MMCAPs I A, our remaining trust preferred security (collateralized debt obligations) for a realized loss of $194,000. The following table provides a summary of the credit ratings for our investment portfolio (including held-to-maturity and available-for-sale securities) at the end of the second quarter of 2011:

(Dollars in thousands)	Amortized Cost	Fair Value	Other Comprehensive Income	AAA - A	BBB	BB or Lower	Not Rated
June 30, 2011:							
Government-sponsored enterprises debt	$ 57,729	$ 58,814	$ 1,085	$ 57,729	$	$	$
State and municipal obligations	57,993	60,211	2,218	54,410	2,413		1,170
Mortgage-backed securities *	106,968	110,376	3,408				
Corporate stocks	255	389	134				255
	$ 222,945	$ 229,790	$ 6,845	$ 112,139	$ 2,413	$	$ 1,425

* - Agency mortgage-backed securities (MBS) are guaranteed by the issuing GSE as to the timely payments of principal and interest. Except for Government National Mortgage Association (GNMA) securities, which have the full faith and credit backing of the United States Government, the GSE alone is responsible for making payments on this guaranty. While the rating agencies have not rated any of the MBS issued, senior debt securities issued by GSEs are rated consistently as Triple-A. Most market participants consider agency MBS as carrying an implied AAA rating because of the guarantees of timely payments and selection criteria of mortgages backing the securities. We do not own any private label mortgage-backed securities.

At June 30, 2011, we had fourteen securities available for sale in an unrealized loss position, which totaled $161,000.

During the second quarter of 2011 as compared to the second quarter of 2010, the total number of securities with an unrealized loss position decreased by sixteen securities, while the total dollar amount of the unrealized loss decreased by $356,000.

All securities available for sale in an unrealized loss position as of June 30, 2011 continue to perform as scheduled. We have evaluated the cash flows and determined that all contractual cash flows should be received; therefore impairment is temporary because we have the ability to hold these securities within the portfolio until the maturity or until the value recovers and we believe that it is not likely that we will be required to sell these securities prior to recovery. We continue to monitor all of these securities with a high degree of scrutiny. There can be no assurance that we will not conclude in future periods that conditions existing at that time indicate some or all of these securities are other than temporarily impaired, which would require a charge to earnings in such periods. Any charges for OTTI related to securities available-for-sale would not impact cash flow, tangible capital or liquidity.

Although securities classified as available for sale may be sold from time to time to meet liquidity or other needs, it is not our normal practice to trade this segment of the investment securities portfolio. While management generally holds these assets on a long-term basis or until maturity, any short-term investments or securities available for sale could be converted at an earlier point, depending partly on changes in interest rates and alternative investment opportunities.

Other Investments

Other investment securities include primarily our investments in Federal Reserve Bank stock and Federal Home Loan Bank of Atlanta (FHLB) stock, each with no readily determinable market value. The amortized cost and fair value of all these securities are equal at June 30, 2011. As of June 30, 2011, the investment in FHLB stock represented approximately $12.5 million, or 0.3% as a percentage of total assets. The following factors have been evaluated and considered in determining the carrying amount of the FHLB stock:

- We evaluate ultimate recoverability of the par value.
- We currently have sufficient liquidity or have access to other sources of liquidity to meet all operational needs in the foreseeable future, and would not have the need to dispose of this stock below the recorded amount.
- Historically, the FHLB does not allow for discretionary purchases or sales of this stock. Redemptions of the stock occur at the discretion of the FHLB, subsequent to the maturity or redemption of outstanding advances held by the member institutions. During the second quarter of 2011, the FHLB redeemed approximately $3.4 million of our investment, at par value.

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- We have reviewed the assessments by rating agencies, which concluded that debt ratings are unlikely to change and that the FHLB has the ability to absorb economic losses, given the expectation that the various FHLBanks have a very high degree of government support.

- The unrealized losses related to the securities owned by the FHLBs are manageable given the capital levels of these organizations.

- All of the FHLBs are meeting their debt obligations.

- Our holdings of FHLB stock are not intended for the receipt of dividends or stock growth, but for the purpose and right to receive advances, or funding. We deem the FHLB s process of determining after each quarter end whether it will pay a dividend and, if so, the amount, as essentially similar to standard practice by most dividend-paying companies. Based on the FHLB s performance over the past nine consecutive quarters, starting with the second quarter 2009, the FHLB has announced a dividend payment after each quarter s performance, with the most recent dividend payment of 0.81% on May 19, 2011 related to the second quarter 2011.

- Subsequent to June 30, 2011, the FHLB announced a 0.76% dividend for the second quarter of 2011 and will pay the dividend on August 16, 2011. The FHLB also announced plans to redeem excess capital stock on August 31, 2011.

For the reasons above, we have concluded that our holdings of FHLB stock are not other than temporarily impaired as of June 30, 2011 and ultimate recovery of the par value of this investment is probable.

Interest-Bearing Liabilities

Interest-bearing liabilities include interest-bearing transaction accounts, savings deposits, CDs, other time deposits, federal funds purchased, and other borrowings. Interest-bearing transaction accounts include NOW, HSA, IOLTA, and Market Rate checking accounts.

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	**2011**	**2010**	**2011**	**2010**
Average interest-bearing liabilities	**$ 2,929,179**	$ 2,836,414	**$ 2,907,904**	$ 2,763,523
Interest expense	**5,329**	7,952	**11,738**	16,525
Average rate	**0.73%**	1.12%	**0.81%**	1.21%

The average balance of interest-bearing liabilities increased in the second quarter of 2011 compared to the second quarter of 2010. The decrease in interest expense was largely driven by a decline in the average rates on CDs and other time deposits. Overall, we experienced a 39 basis point decrease in the average rate on all interest-bearing liabilities. Some key highlights are outlined below:

- Average interest-bearing deposits for the three months ended June 30, 2011 grew 4.5% from the same period in 2010.

- Interest-bearing deposits grew 2.4% to $2.6 billion at June 30, 2011 from the period end balance at June 30, 2010, resulting largely from a $193.0 million, or 7.4%, increase related to the Habersham acquisition. Excluding the acquisition, interest-bearing deposits decreased by $131.5 million resulting largely from the increase in money market deposits of $147.5 million, and offset by decreases in both small and large denomination CDs by a total of $329.9 million.

- The average rate on transaction and money market account deposits for the three months ended June 30, 2011 decreased 26 basis points from the comparable period in 2010, which contributed to a decrease of $312,000 in interest expense for the second quarter of 2011. The impact of the decrease in rates was partially offset by an increase in volume as the average balance increased $266.3 million to $1.3 billion at June 30, 2011 compared to the same quarter in 2010.

- Average certificates and other time deposits decreased 16.6%, down $217.0 million from the average balance in the second quarter of 2010. Interest expense on certificates and other time deposits decreased $2.1 million mainly as a result of a 50 basis point decrease in the interest rate for the three months ended June 30, 2011 as compared to the same period in 2010.

- Other borrowings decreased 26.0%, down $16.3 million from the average balance in the second quarter of 2010. We repaid the entire balance of the subordinated term loan in the fourth quarter of 2010.

- A decline in interest rates contributed significantly to a $2.6 million, or 33.0%, reduction in interest expense on average interest-bearing liabilities for the three months ended June 30, 2011 from the comparable period in 2010.

Noninterest-Bearing Deposits

Noninterest-bearing deposits (or demand deposits) are transaction accounts that provide our bank with interest-free sources of funds. Average noninterest-bearing deposits increased $140.1 million, or 29.8%, to $610.1 million in the second quarter of 2011

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compared to $470.0 million at June 30, 2010. From the first quarter of 2011, average noninterest-bearing deposits grew $70.8 million, or 13.1%. Excluding deposits acquired in the Habersham acquisition, period end noninterest-bearing deposits increased $71.7 million, or 15.4%, from the balance at June 30, 2010.

Provision for Loan Losses and Nonperforming Assets

We have established an allowance for loan losses through a provision for loan losses charged to expense. The ALLL represents an amount we believe will be adequate to absorb probable losses on existing loans that may become uncollectible. We assess the adequacy of the ALLL by using an internal risk rating system, independent credit reviews, and regulatory agency examinations all of which evaluate the quality of the loan portfolio and seek to identify problem loans. Based on this analysis, management and the board of directors consider the current allowance to be adequate. Nevertheless, our evaluation is inherently subjective as it requires estimates that are susceptible to significant change. Actual losses may vary from our estimates, and there is a possibility that charge-offs in future periods could exceed the ALLL as estimated at any point in time.

In addition, regulatory agencies, as an integral part of the examination process, periodically review our bank s ALLL. Such agencies may require additions to the ALLL based on their judgments about information available to them at the time of their examination.

Loans acquired in the CBT and Habersham acquisitions were recorded at their acquisition date fair value, which was based on expected cash flows and included an estimation of expected future loan losses. Our initial estimates of credit losses on loans acquired in the Habersham acquisition continue to be adequate, and there is no evidence of additional credit deterioration that would require additional loan loss reserves as of June 30, 2011. During the first quarter of 2011, we established a loan loss reserve of $25.8 million on four CBT loan pools due to evidence of additional credit deterioration, subsequent to initial fair valuation. The review in the second quarter of 2011 of the performance of the portfolio resulted in a minor reduction in the overall loss expectation for these loans. Under current accounting principles, information regarding our estimate of loan fair values may be adjusted for a period of up to one year as we continue to refine our estimate of expected future cash flows in the acquired portfolio. As we determine that losses arose after the acquisition date, generally the additional losses will be reflected as a provision for loan losses, and offset with an increase in the FDIC indemnification asset. See Note 2 in the notes to the unaudited condensed consolidated financial statements for further discussion of the method of accounting for acquired loans.

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The following table presents a summary of the changes in the ALLL for the three and six months ended June 30, 2011 and 2010:

	Three Months Ended June 30,			
	2011			2010
(Dollars in thousands)	Non-acquired Loans	Acquired Loans	Total	Total *
Balance at beginning of period	**$ 48,164**	**$ 25,833**	**$ 73,997**	$ 41,397
Loans charged-off	**(4,770)**	**(11,850)**	**(16,620)**	(8,173)
Recoveries of loans previously charged off	**557**		**557**	434
Net charge-offs	**(4,213)**	**(11,850)**	**(16,063)**	(7,739)
Provision for loan losses on non-acquired loans	**4,229**	**(288)**	**3,941**	12,509
Benefit attributable to FDIC loss share agreements		**274**	**274**	
Total provision for loan losses charged to operations	**4,229**	**(14)**	**4,215**	12,509
Provision for loan losses recorded through the FDIC loss share receivable		**(274)**	**(274)**	
Balance at end of period	**$ 48,180**	**$ 13,695**	**$ 61,875**	$ 46,167
Total non-acquired loans:				
At period end	**$ 2,405,613**			$ 2,227,442
Average	**2,366,905**			2,198,417
As a percentage of average non-acquired loans (annualized):				
Net charge-offs	**0.71%**			1.41%
Allowance for loan losses as a percentage of period end non-acquired loans	**2.00%**			2.07%
Allowance for loan losses as a percentage of period end non-performing non-acquired loans (NPLs)	**70.05%**			60.83%

	Six Months Ended June 30,			
	2011			2010
(Dollars in thousands)	Non-acquired Loans	Acquired Loans	Total	Total *
Balance at beginning of period	**$ 47,512**	**$**	**$ 47,512**	$ 37,488
Loans charged-off	**(14,092)**	**(11,850)**	**(25,942)**	(25,543)
Recoveries of loans previously charged off	**1,182**		**1,182**	935
Net charge-offs	**(12,910)**	**(11,850)**	**(24,760)**	(24,608)
Provision for loan losses on non-acquired loans	**13,578**	**25,545**	**39,123**	33,287
Benefit attributable to FDIC loss share agreements		**(24,268)**	**(24,268)**	
Total provision for loan losses charged to operations	**13,578**	**1,277**	**14,855**	33,287
Provision for loan losses recorded through the FDIC loss share receivable		**24,268**	**24,268**	
Balance at end of period	**$ 48,180**	**$ 13,695**	**$ 61,875**	$ 46,167
Total non-acquired loans:				
At period end	**$ 2,405,613**			$ 2,227,442
Average	**2,338,901**			2,191,840
As a percentage of average non-acquired loans (annualized):				
Net charge-offs	**1.11%**			2.26%
Allowance for loan losses as a percentage of period end non-acquired loans	**2.00%**			2.07%
	70.05%			60.83%

Allowance for loan losses as a percentage of period end non-performing non-acquired loans (NPLs)	

* As of June 30, 2010, there was no allowance for loans covered under loss share agreements.

The provision for loan losses as a percent of average non-acquired loans reflects a decrease due primarily to the decrease in our nonperforming loans as well as our classified loans during the second quarter of 2011 compared to the same quarter in 2010. Forty-eight percent of the charge-off amount for the second quarter of 2011 is comprised of 10 loans ranging from approximately $123,000 to $515,000. The remainder of the charge-offs were less than $123,000 per loan for the quarter. Of the total net charge-offs during the quarter, 46.9% or $2.2 million were construction and land development loans, 6.3% or $303,000 were commercial owner-occupied loans, 18.5% or $882,000 were consumer owner-occupied loans (including home equity loans), 4.6% or $219,000 were commercial and industrial loans, 10.9% or $520,000 were commercial non-owner occupied loans, and 7.2% or $344,000 were other income producing property loans. We remain aggressive in charging off loans resulting from the decline in the appraised value of the underlying collateral (real estate) and the overall concern that borrowers will be unable to meet the contractual payments of principal and interest. Additionally, there continues to be concern about the economy as a whole and the market conditions throughout certain regions of the Southeast. Excluding covered assets, nonperforming loans decreased by $1.6 million during the second quarter compared to the first quarter of 2011. The ratio of the ALLL to cover these loans increased from 61% at June 30, 2010 to 70% at June 30, 2011.

We increased the ALLL compared to the second quarter of 2010 due primarily to the increase in the non-acquired loan portfolio over the past twelve months. On a general basis, we consider three-year historical loss rates on all loan portfolios, except residential lot loans where two-year historical loss rates are applied. We also consider economic risk, model risk and operational risk when determining the ALLL. All of these factors are reviewed and adjusted each reporting period to account for management s assessment of loss within the loan portfolio. Overall, the general reserve increased $5.7 million compared to the balance at June 30, 2010 and decreased $1.9 million from March 31, 2011.

The historical loss rates on an overall basis increased from June 30, 2010 due to the increase in loan losses in the second quarter of 2011 when compared to the removal of much lower historical loss rates in our rolling averages. This resulted in an increase of 39 basis points in the ALLL, given the rise in losses throughout the portfolio. Compared to the first quarter of 2011, the increase was 2 basis points.

Economic risk decreased by 4 basis points during the second quarter of 2011 as compared to 2010 due to the decline in unemployment and improved home sales. Compared to the first quarter of 2011, we reduced the factor related to unemployment by 3 basis points.

Model risk declined 3 basis points compared to the second quarter of 2010 as well as the first quarter of 2011. This risk comes from the fact that our ALLL model is not all-inclusive. Risk inherent with new products, new markets, and timeliness of information are examples of this type of exposure. Management has reduced this factor since our model has been used for three years, and we believe more adequately addresses this inherent risk in our loan portfolio.

Operational risk consists of the underwriting, documentation, closing and servicing associated with any loan. This risk is managed through policies and procedures, portfolio management reports, best practices and the approval process. The risk factors evaluated include the following: exposure outside our deposit footprint, changes in underwriting standards, levels of past due loans, loan growth, supervisory loan to value exceptions, results of external loan reviews, our centralized loan documentation process and significant loan concentrations. We believe that the overall operational risk has declined by 21 basis points during the second quarter of 2011 compared to the second quarter of 2010, and by 8 basis points from the first quarter of 2011. This improvement was due primarily to the decrease in 30-89 days past due loans, improved level of classified loans, reduced exposure outside of the depository footprint, lower exposure to certain loan concentrations and supervisory loan to value exceptions given the increase in capital thus far in 2011.

On a specific reserve basis, the allowance for loan losses increased by $1.9 million from March 31, 2011, and decreased by approximately $3.7 million from June 30, 2010. The loan balances being evaluated for specific reserves decreased from $54.7 million at June 30, 2010 to $51.6

million at June 30, 2011. Our practice, generally, is that once a specific reserve is established for a loan, a charge off of that amount occurs in the quarter subsequent to the establishment of the specific reserve.

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During the three months ended June 30, 2011, the marginal growth in our total nonperforming assets (NPAs) was reflective of the continued pressure on the real estate market and economy, along with acquired NPAs. The table below summarizes our NPAs.

(Dollars in thousands)	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010	June 30, 2010
Nonaccrual loans (1)	**$ 57,806**	$ 58,870	$ 62,661	$ 66,964	$ 75,313
Accruing loans past due 90 days or more	**94**	339	118	319	582
Restructured loans	**10,880**	11,168	6,365	3,479	
Total nonperforming loans	**68,780**	70,377	69,144	70,762	75,895
Other real estate owned (OREO) (2)	**24,900**	19,816	17,264	15,657	9,803
Other nonperforming assets (3)	**50**	575	50	12	159
Total nonperforming assets excluding covered assets	**93,730**	90,768	86,458	86,431	85,857
Covered OREO (2)	**74,591**	77,286	69,317	47,365	31,750
Other covered nonperforming assets (3)	**408**	308	19	9	34
Total nonperforming assets including covered assets	**$ 168,729**	$ 168,362	$ 155,794	$ 133,805	$ 117,641
Excluding Acquired Assets					
Total NPAs as a percentage of total loans and repossessed assets (4)	**3.56%**	3.83%	3.74%	3.80%	3.84%
Total NPAs as a percentage of total assets	**2.44%**	2.29%	2.41%	2.39%	2.37%
Total NPLs as a percentage of total loans (4)	**2.86%**	3.00%	3.01%	3.13%	3.41%
Including Acquired Assets					
Total NPAs as a percentage of total loans and repossessed assets (4)	**5.87%**	5.88%	5.76%	4.97%	4.38%
Total NPAs as a percentage of total assets	**4.39%**	4.25%	4.33%	3.70%	3.25%
Total NPLs as a percentage of total loans (4)	**2.48%**	2.54%	2.64%	2.69%	2.87%

(1) Acquired loans are considered to be performing due to the application of the accretion method under FASB ASC Topic 310-30. (For further discussion of the Company s application of the accretion method, see *Business Combinations, Method of Accounting for Loans Acquired, and FDIC Indemnification Asset* under Note 2 Summary of Significant Accounting Policies.) Excludes the acquired loans that are contractually past due 90 days or more totaling $89.9 million, $110.7 million, $93.6 million, $102.9 million, and $105.8 million as of June 30, 2011, March 31, 2011, December 31, 2010, September 30, 2010, and June 30, 2010, respectively, including the valuation discount.

(2) Includes certain real estate acquired as a result of foreclosure and property not intended for bank use.

(3) Consist of non-real estate foreclosed assets, such as repossessed vehicles.

(4) Loan data excludes mortgage loans held for sale.

Excluding the acquired loans, total nonaccrual loans, including restructured loans, were $68.7 million, or 2.86% of total loans, a decrease of $6.6 million, or 8.8%, from June 30, 2010. The decrease in nonaccrual loans was driven by a decrease in commercial nonaccrual loans of $12.1 million and an increase in consumer nonaccrual loans of $5.5 million. Excluding covered properties, OREO increased $15.1 million from June

30, 2010.

Nonaccrual non-acquired loans and restructured loans decreased by approximately $1.4 million during the second quarter of 2011 from the level at March 31, 2011. This decline was the result of nonaccrual loans returning to accrual status with timely payments; loans being transferred to OREO through the foreclosure process as seen in the table above (note that $2.4 million of the increase was not loan related, but comprised of property that was being held for potential branch expansion); and to a lesser degree charge offs. These reductions were offset by nonaccrual loan additions, including three large loans totaling $5.2 million.

At June 30, 2011, non-covered OREO increased by $5.1 million from March 31, 2011, with $2.4 million resulting from assets previously held for future branch expansion being transferred into OREO from fixed assets. At June 30, 2011, non-covered OREO consisted of 87 properties with an average value of $287,000 an increase of $12,000 from March 31, 2011, when we had 72 properties. In the second quarter of 2011, we added 32 properties with an aggregate value of $8.1 million into non-covered OREO, and we sold 16 properties with a basis of $2.3 million in that same quarter. We recorded a net loss of $178,000 for the quarter. Our non-covered OREO balance of $24.9 million, at June 30, 2011, is comprised of 7% in the Low Country region, 26% in the

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Georgetown/Myrtle Beach region, 31% in the Beaufort (Hilton Head) region, 10% in the Charlotte region and 5% in the Upstate (Greenville) region.

Overall, we continue to believe that the loan portfolio remains manageable in terms of charge-offs and NPAs as a percentage of total loans. Given the industry-wide rise in credit costs, we have taken additional proactive measures to identify problem loans including in-house and independent review of larger transactions. Our policy for evaluating problem loans includes obtaining new certified real estate appraisals as needed. We continue to monitor and review frequently the overall asset quality within the loan portfolio.

Potential Problem Loans

Potential problem loans (excluding acquired loans), which are not included in nonperforming loans, amounted to approximately $15.5 million, or 0.64%, of total non-acquired loans outstanding at June 30, 2011, compared to $19.8 million, or 0.89%, of total non-acquired loans outstanding at June 30, 2010 and compared to $19.6 million, or 0.85% of total non-acquired loans outstanding at December 31, 2010. Potential problem loans represent those loans where information about possible credit problems of the borrowers has caused management to have serious doubts about the borrower s ability to comply with present repayment terms.

Noninterest Income

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	**2011**	**2010**	**2011**	**2010**
Gain on acquisition	**$**	$	**$ 5,528**	$ 98,081
Service charges on deposit accounts	**5,615**	5,582	**10,645**	10,105
Bankcard services income	**3,045**	2,348	**5,704**	4,147
Trust and investment services income	**1,525**	1,187	**2,774**	1,971
Mortgage banking income	**1,125**	1,267	**1,988**	2,111
Securities gains	**10**		**333**	
Total other-than-temporary impairment losses		(675)		(6,261)
Portion of impairment losses recognized in other comprehensive loss				
Net impairment losses recognized in earnings		(675)		(6,261)
Accretion on FDIC indemnification asset	**(3,133)**	567	**(3,534)**	936
Other	**605**	752	**1,227**	1,559
Total noninterest income	**$ 8,792**	$ 11,028	**$ 24,665**	$ 112,649

Noninterest income decreased 20.3% in the second quarter of 2011 as compared to the same period in 2010. The quarterly increase in total noninterest income primarily resulted from the following:

- Bankcard services income increased 29.7%, largely driven by an increase in debit card and surcharge ATM income from legacy SCBT. Legacy SCBT bankcard services income, excluding Habersham, increased 25.6%, or $601,000, due primarily to a larger customer base than in 2010.

- Trust and investment services income increased 28.5%, mostly driven by a $273,000 increase in investment services fees generated from legacy SCBT, due to additional wealth management personnel and a larger customer base.

- No impairment losses were recognized in earnings during the second quarter of 2011, compared to the same quarter in 2010, when a $675,000 impairment loss was recorded.

- Accretion on the FDIC indemnification asset decreased $3.7 million, resulting from a decrease in expected cash flows. The decrease in expected cash flows was driven by improvement in the cash flows in certain acquired loan pools during the quarter.

Noninterest income decreased 78.1% during the six months ended June 30, 2011 as compared to the same period in 2010. The decrease in total noninterest expense primarily resulted from the following:

- The pre-tax gain from the FDIC-assisted acquisition of Habersham in the first quarter of 2011 was $5.5 million compared to the $98.1 million pre-tax gain from the FDIC-assisted acquisition of CBT in the first quarter of 2010.

- Service charges on deposit accounts increased $540,000, primarily resulting from a $329,000 increase in legacy SCBT service charges, due primarily to a larger number of accounts.

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- Bankcard services income increased 37.5%, largely driven by an increase in debit card and surcharge ATM income from legacy SCBT. Legacy SCBT bankcard services income increased 34.0%, or $1.4 million, due primarily to a larger customer base than in 2010.

- Trust and investment services income increased 40.7%, mostly driven by a $673,000 increase in investment services fees generated from legacy SCBT, due to additional wealth management personnel and a larger customer base.

- Securities gains of $527,000 from the sale of most of the securities acquired in the Habersham transaction were partially offset by $194,000 loss resulting from the sale of the MMCAPs I A security, the Company s only remaining pooled trust preferred collateralized debt obligation.

- No impairment losses were recognized in earnings during the second quarter of 2011, compared to the same quarter in 2010, when a $6.3 million impairment loss was recorded.

- Accretion on the FDIC indemnification asset decreased $4.5 million, resulting from a decrease in expected cash flows. The decrease in expected cash flows was driven by improvement in the cash flows in certain loan pools during the quarter.

Noninterest Expense

(Dollars in thousands)	**Three Months Ended June 30, 2011**	**Three Months Ended June 30, 2010**	**Six Months Ended June 30, 2011**	**Six Months Ended June 30, 2010**
Salaries and employee benefits	**$ 18,016**	$ 15,263	**$ 34,662**	$ 29,016
OREO expense and loan related	**2,777**	825	**5,310**	555
Net occupancy expense	**2,346**	1,907	**4,922**	4,280
Information services expense	**2,503**	2,157	**4,845**	4,528
Furniture and equipment expense	**2,181**	1,937	**4,139**	3,573
FDIC assessment and other regulatory charges	**1,255**	1,227	**2,734**	2,550
Business development and staff related	**873**	795	**1,678**	1,602
Merger-related expense	**598**	964	**1,207**	4,872
Advertising and marketing	**289**	1,028	**1,198**	1,615
Amortization of intangibles	**505**	437	**951**	781
Professional fees	**501**	616	**934**	1,173
Federal Home Loan Bank advances prepayment fee				3,189
Other	**3,204**	1,828	**6,692**	3,830
Total noninterest expense	**$ 35,048**	$ 28,984	**$ 69,272**	$ 61,564

Noninterest expense increased 20.9% in the second quarter of 2011 as compared to the same period in 2010. The quarterly increase in total noninterest expense primarily resulted from the following:

- Salaries and employee benefits expense increased 18.0%, driven by $1.8 million increase in legacy SCBT expenses and approximately $0.9 million in costs related to the addition of the Habersham franchise.

- OREO expense and loan related expense increased 236.6%, mostly driven by a $1.3 million increase in write downs of legacy SCBT property to appraised values during the second quarter of 2011; $893,000 of the write downs related to future branch sites reclassified to OREO upon determining that these sites would be disposed of.

- Furniture and equipment expense increased by 12.6%, driven primarily by a $244,000 increase in legacy SCBT furniture and equipment expense.

- Other expense increased 75.3%, driven mainly by $1.1 million increase in legacy SCBT expenses and $200,000 in Habersham related cost. We experienced increases in business development and new loan production, as well as higher cost in bankcard expenses and trust and investment services expense.

- Partially offsetting these increases were decreases in merger-related expenses of 38.0%, or $366,000, and advertising and marketing expenses of 71.9%, or $739,000.

Noninterest expense increased 12.5% during the six months ended June 30, 2011 as compared to the same period in 2010. The increase in total noninterest expense primarily resulted from the following:

- Salaries and employee benefits expense increased 19.5%, driven mainly by the addition of employees throughout the Company as well as through the Habersham acquisition. Full-time equivalent employees are up 12.4% from 967 at June 30, 2010.

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- OREO expense and loan related expense increased 856.8%, mostly driven by a $3.8 million increase in write downs of legacy SCBT property to appraised values during the second quarter of 2011 and a gain on a property sold in legacy SCBT during the first quarter of 2010.

- Other expense increased 74.7%, driven mainly by $2.6 million increase in legacy SCBT expenses and $290,000 in Habersham related cost. We experienced increases in business development and new loan production, as well as higher cost in bankcard expenses and trust and investment services expense.

- Partially offsetting these increases were decreases in merger-related expenses of 75.2%, or $3.7 million, and a decline of $3.2 million related to the FHLB prepayment fee paid in the first quarter of 2010.

Income Tax Expense

Our effective income tax rate increased to 34.7% for the quarter ended June 30, 2011 compared to 17.3% for the quarter ended June 30, 2010. The higher effective tax rate for the second quarter of 2011 is attributable to the increase in pre-tax earnings driven by a $6.8 million increase in net interest income compared to the three months ended June 30, 2010.

Our effective income tax rate decreased to 34.7% for the six months ended June 30, 2011, as compared to 36.2% for the comparable period of 2010. The lower effective tax rate in 2011 is attributable to lower pre-tax earnings driven by the $5.5 million pre-tax acquisition gain recorded on the Habersham acquisition in comparison to the $98.1 million pre-tax acquisition gain recorded on the CBT acquisition. This causes tax exempt income to become a greater proportion of net income than last year.

Capital Resources

Our ongoing capital requirements have been met primarily through retained earnings, less the payment of cash dividends and additional common equity raised during 2011. As of June 30, 2011, shareholders equity was $371.1 million, an increase of $41.1 million, or 12.5%, from $330.0 million at December 31, 2010, and an increase of $36.5 million or 10.9% from $334.6 at June 30, 2010. The increase in shareholders equity largely resulted from $34.8 million proceeds from the Private Placement during the first quarter of 2011. Our equity-to-assets ratio increased to 9.66% at June 30, 2011 from 9.24% at the end of the first quarter of 2011 and 9.25% at the end of the comparable period of 2010.

We are subject to certain risk-based capital guidelines. Certain ratios measure the relationship of capital to a combination of balance sheet and off-balance sheet risks. The values of both balance sheet and off-balance sheet items are adjusted to reflect credit risk. Under the guidelines promulgated by the Board of Governors of the Federal Reserve System, which are substantially similar to those of the OCC, Tier 1 risk-based capital must be at least 4% of risk-weighted assets, while total risk-based capital must be at least 8% of risk-weighted assets.

In conjunction with the risk-based capital ratios, the regulatory agencies have also prescribed a leverage capital ratio for assessing capital adequacy.

The Company s capital adequacy ratios for the following periods are reflected below:

Capital Adequacy Ratios	**June 30, 2011**	**December 31, 2010**	**June 30, 2010**
Tier 1 risk-based capital	13.89%	13.34%	13.50%
Total risk-based capital	15.15%	14.60%	15.42%
Tier 1 leverage	8.82%	8.48%	8.43%

Compared to December 31, 2010 and June 30, 2010, our Tier 1 risk-based capital, total risk-based capital, and Tier 1 leverage ratio have increased due primarily to the impact of the proceeds from the Private Placement and the gain related to the FDIC-assisted acquisition of Habersham, and the relatively modest growth of risk weighted assets.

These fluctuations are consistent with what management expected given the CBT and Habersham acquisitions. Our capital ratios are currently well in excess of the minimum standards and continue to be in the well capitalized regulatory classification.

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On July 29, 2011, the Company entered into a purchase and assumption (P&A) agreement with loss share arrangements with the FDIC to purchase certain assets and assume substantially all of the deposits and certain liabilities of BankMeridian, N.A., a full service community bank headquartered in Columbia, South Carolina. No additional capital was required to support this transaction. See Note 17 Subsequent Events for further discussion.

Liquidity

Liquidity refers to our ability to generate sufficient cash to meet our financial obligations, which arise primarily from the withdrawal of deposits, extension of credit and payment of operating expenses. Our Asset Liability Management Committee (ALCO) is charged with monitoring these policies, which are designed to ensure acceptable composition of asset/liability mix. Two critical areas of focus for ALCO are interest rate sensitivity and liquidity risk management. We have employed our funds in a manner to provide liquidity from both assets and liabilities sufficient to meet our cash needs.

Asset liquidity is maintained by the maturity structure of loans, investment securities and other short-term investments. Management has policies and procedures governing the length of time to maturity on loans and investments. Normally, changes in the earning asset mix are of a longer-term nature and are not utilized for day-to-day corporate liquidity needs.

Our liabilities provide liquidity on a day-to-day basis. Daily liquidity needs are met from deposit levels or from our use of federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings. We engage in routine activities to retain deposits intended to enhance our liquidity position. These routine activities include various measures, such as the following:

- Emphasizing relationship banking to new and existing customers, where borrowers are encouraged and normally expected to maintain deposit accounts with our Bank,

- Pricing deposits, including certificates of deposit, at rate levels that will attract and/or retain balances of deposits that will enhance our Bank s asset/liability management and net interest margin requirements, and

- Continually working to identify and introduce new products that will attract customers or enhance our Bank s appeal as a primary provider of financial services.

On February 18, 2011, we acquired Habersham Bank in an FDIC-assisted deal which provided approximately $91.3 million in cash and cash equivalents. Deposits in the amount of $340.0 million were also assumed. Of this amount, $76.2 million were in the form of highly liquid transaction accounts. Certificates of deposit and interest-bearing deposits comprised $264.4 million of total deposits, or 77.6%. In accordance with the P&A Agreement and the desire to lower our cost of funds, we decided to lower rates on all time deposits for depositors who had no other relationship with us other than their time deposit products. As anticipated, we experienced approximately $86.9 million in run-off of time deposit account balances between the acquisition date and June 30, 2011. Our liquidity position could continue to be affected by potential run-off of deposits in these northeast Georgia markets.

The FDIC-assisted acquisition of Habersham and the subsequent sale of most of the investment securities was the largest contributing factor in the increase in our liquidity position at June 30, 2011 from our position at June 30, 2010. On February 18, 2011, we acquired $31.9 million in cash and cash equivalents, excluding cash paid by the FDIC to consummate the acquisition, as well as $60.9 million of investment securities. Total cash received from the FDIC was $59.4 million which included $20.1 million paid to our Bank to compensate for the liabilities assumed in excess of assets acquired and the $38.3 million asset discount bid. We received $59.4 million in cash from the FDIC on February 22, 2011 and recorded a $938,000 payable to the FDIC which will be a part of the final settlement with the FDIC later in 2011. We have sold most of the acquired investment securities subsequent to the acquisition date; and recorded a gain of approximately $517,000 during the first quarter of 2011 related to interest rate changes. The remaining securities provide periodic cash flows in the form of principal and interest payments.

Excluding the Habersham acquisition, our legacy SCBT loan portfolio increased by approximately $178.2 million, or about 8.0%. We also increased our liquidity position in February 2011 with the sale of 1,129,032 shares of our common stock in the Private Placement, resulting in net proceeds of $34.8 million. Total cash and cash equivalents were $249.1 million at June 30, 2011 as compared to $237.1 million at December 31, 2010 and $187.0 million at June 30, 2010.

At June 30, 2011 and 2010, we had no brokered deposits. Total deposits increased $194.0 million, or 6.4%, to $3.2 billion resulting primarily from the Habersham acquisition; excluding Habersham, total deposits decreased $59.8 million, or 2.0%. Excluding Habersham, we increased our noninterest-bearing deposit balance by $71.7 million, or 15.4%, at June 30, 2011 as compared to the balance at June 30, 2010. Federal funds purchased and securities sold under agreements to repurchase increased $10.3 million, or 5.8%, from the balance at June 30, 2010; and decreased $3.5 million, or 1.8%, from the balance at December 31, 2010. Other borrowings declined by $16.3 million, or 26.0%, from June 30, 2010 due primarily to the repayment of the $15.0 million subordinated term loan during the fourth quarter of 2010. During the first quarter of 2011, we repaid the FHLB $38.3 million for the

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FHLB advances acquired in the FDIC-assisted acquisition of Habersham. To the extent that we employ other types of non-deposit funding sources, typically to accommodate retail and correspondent customers, we continue to emphasize shorter maturities of such funds. Our approach may provide an opportunity to sustain a low funding rate or possibly lower our cost of funds but could also increase our cost of funds if interest rates rise.

Our ongoing philosophy is to remain in a liquid position taking into account our current composition of earning assets, asset quality, capital position, and operating results. Our liquid earning assets include federal funds sold, balances at the Federal Reserve Bank, reverse repurchase agreements, and/or other short-term investments. Cyclical and other economic trends and conditions can disrupt our bank s desired liquidity position at any time. We expect that these conditions would generally be of a short-term nature. Under such circumstances, our bank s federal funds sold position and any balances at the Federal Reserve Bank, if any, serves as the primary source of immediate liquidity. At June 30, 2011, our bank had total federal funds credit lines of $244.0 million with no outstanding advances. If additional liquidity were needed, the bank would turn to short-term borrowings as an alternative immediate funding source and would consider other appropriate actions such as promotions to increase core deposits or the sale of a portion of our investment portfolio. At June 30, 2011, our bank had $61.6 million of credit available at the Federal Reserve Bank s Discount Window, but had no outstanding advances as of the end of the quarter. In addition, we could draw on additional alternative immediate funding sources from lines of credit extended to us from our correspondent banks and/or the FHLB. At June 30, 2011, our bank had a total FHLB credit facility of $224.3 million with total outstanding letters of credit consuming $104.3 million and no outstanding advances. We believe that our liquidity position continues to be adequate and readily available.

Our contingency funding plan incorporates several potential stages based on liquidity levels. Also, we review on at least an annual basis our liquidity position and our contingency funding plans with our principal banking regulator. The Bank maintains various wholesale sources of funding. If our deposit retention efforts were to be unsuccessful, our Bank would utilize these alternative sources of funding. Under such circumstances, depending on the external source of funds, our interest cost would vary based on the range of interest rates charged to our Bank. This could increase our Bank s cost of funds, impacting net interest margins and net interest spreads.

Deposit and Loan Concentrations

We have no material concentration of deposits from any single customer or group of customers. We have no significant portion of our loans concentrated within a single industry or group of related industries. Furthermore, we attempt to avoid making loans that, in an aggregate amount, exceed 10% of total loans to a multiple number of borrowers engaged in similar business activities. As of June 30, 2011, there were no aggregated loan concentrations of this type. We do not believe there are any material seasonal factors that would have a material adverse effect on us. We do not have foreign loans or deposits.

Concentration of Credit Risk

We consider concentrations of credit to exist when, pursuant to regulatory guidelines, the amounts loaned to a multiple number of borrowers engaged in similar business activities which would cause them to be similarly impacted by general economic conditions represent 25% of total risk-based capital, or $92.9 million at June 30, 2011. Based on these criteria, we had five such credit concentrations at June 30, 2011, including loans to borrowers engaged in other activities related to real estate, loans to religious organizations, loans to lessors of nonresidential buildings (except mini-warehouses), loans to lessors of residential buildings, and loans to holding companies.

Cautionary Note Regarding Any Forward-Looking Statements

Statements included in Management s Discussion and Analysis of Financial Condition and Results of Operations which are not historical in nature are intended to be, and are hereby identified as, forward-looking statements for purposes of the safe harbor provided by Section 21E of the Securities and Exchange Act of 1934. The words may, will, anticipate, should, would, believe, contemplate, expect, estimate, continue, may, and intend, as well as other similar words and expressions of the future, are intended to identify forward-looking statements. We caution readers that forward-looking statements are estimates reflecting our judgment based on current information, and are subject to certain risks and uncertainties that could cause actual results to differ materially from anticipated results. Such risks and uncertainties include, among others, the matters described in Item 1A. Risk Factors of our Annual Report on Form 10-K for the year ended December 31, 2010, the matters described in Part II, Item 1A. Risk Factors of this Quarterly Report on Form 10-Q, and the following:

- ***Credit risk*** *associated with an obligor s failure to meet the terms of any contract with the Bank or otherwise fail to perform as agreed;*

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- ***Interest rate risk*** *involving the effect of a change in interest rates on both the Bank s earnings and the market value of the portfolio equity;*

- ***Liquidity risk*** *affecting our Bank s ability to meet its obligations when they come due;*

- ***Price risk*** *focusing on changes in market factors that may affect the value of financial instruments which are marked-to-market periodically;*

- ***Transaction risk*** *arising from problems with service or product delivery;*

- ***Compliance risk*** *involving risk to earnings or capital resulting from violations of or nonconformance with laws, rules, regulations, prescribed practices, or ethical standards;*

- ***Regulatory change risk*** *resulting from new laws, rules, regulations, prescribed practices or ethical standards;*

- ***Strategic risk*** *resulting from adverse business decisions or improper implementation of business decisions;*

- ***Reputation risk*** *that adversely affects earnings or capital arising from negative public opinion;*

- ***Terrorist activities risk*** *that result in loss of consumer confidence and economic disruptions;*

- ***Merger integration risk*** *including potential deposit attrition, higher than expected costs, customer loss and business disruption associated with the integration of CBT and Habersham, including, without limitation, potential difficulties in maintaining relationships with key personnel and other integration related-matters;*

- ***Noninterest income risk*** *resulting from the effect of final rules amending Regulation E that prohibit financial institutions from charging consumer fees for paying overdrafts on ATM and one-time debit card transactions, unless the consumer consents or opts-in to the overdraft service for those types of transactions; and*

- ***Economic downturn risk*** *resulting in changes in the credit markets, greater than expected non-interest expenses, excessive loan losses and other factors, which could cause actual results to differ materially from future results expressed or implied by such forward-looking statements.*

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We have no material changes in our quantitative and qualitative disclosures about market risk as of June 30, 2011 from that presented in our Annual Report on Form 10-K for the year ended December 31, 2010.

Item 4. CONTROLS AND PROCEDURES

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of management, including our President and Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15. Management necessarily applied its judgment in the process of reviewing these controls and procedures, which, by their nature, can provide only reasonable assurance regarding management s control objectives. Based upon this evaluation, our President and Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Quarterly Report.

There have been no significant changes in our internal controls over financial reporting that occurred during the second quarter of 2011 that materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

The design of any system of controls and procedures is based in part upon certain assumptions about the likelihood of future events. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

PART II OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

To the best of our knowledge, we are not a party to, nor is any of our property the subject of, any pending material proceeding other than those that may occur in our ordinary course of business.

Item 1A. RISK FACTORS

Investing in shares of our common stock involves certain risks, including those identified and described in Item 1A. of our Annual Report on Form 10-K for the fiscal year ended December 31, 2010, as well as cautionary statements contained in this Form 10-Q, including those under the caption Cautionary Note Regarding Any Forward-Looking Statements set forth in Part I, Item 2 of this Form 10-Q and risks and matters described elsewhere in this Form 10-Q and in our other filings with the SEC.

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Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(a) and (b) not applicable

(c) Issuer Purchases of Registered Equity Securities:

In February 2004, we announced a stock repurchase program with no formal expiration date to repurchase up to 250,000 shares of our common stock. There are 147,872 shares that may yet be purchased under that program. The following table reflects share repurchase activity during the second quarter of 2011:

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
April 1 - April 30	81*	$ 34.69		147,872
May 1 - May 31				147,872
June 1 - June 30	669*	27.98		147,872
Total	750			147,872

* These shares were repurchased under arrangements, authorized by our stock-based compensation plans and Board of Directors, whereby officers or directors may sell previously owned shares to SCBT in order to pay for the exercises of stock options or for income taxes owed on vesting shares of restricted stock. These shares are not purchased under the plan to repurchase 250,000 shares announced in February 2004.

Item 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

Item 4. (REMOVED AND RESERVED)

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Item 5. OTHER INFORMATION

On April 26, 2011 SCBT Financial Corporation held its Annual Meeting of Shareholder in Columbia, South Carolina. At the Annual Meeting, there were present in person or by proxy 10,702,986 shares of SCBT s common stock, representing 76.7% of the total outstanding eligible vote. Among other proxies at the Annual Meeting, the shareholders of SCBT conducted an advisory vote on the frequency of the advisory vote on compensation of the Company s named executive officers. The voting results for the proposal were as follows:

	Votes	% of Shares Outstanding	% of Shares Voted
1 Year	3,201,353	22.94%	36.52%
2 Years	93,084	0.67%	1.06%
3 Years	5,329,800	38.18%	60.81%
Abstain From Voting	140,700	1.01%	1.61%
Non-votes	1,936,568	13.87%	
Uncast votes	1,481	0.01%	0.00%
Total	10,702,986	76.68%	100.00%

Based on the results of the advisory vote, the Board of Directors for SCBT Financial Corporation has elected a frequency of every three years to conduct an advisory vote on compensation of the Company s named executive officers.

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Item 6. EXHIBITS

Exhibit 31.1	Rule 13a-14(a) Certification of Principal Executive Officer
Exhibit 31.2	Rule 13a-14(a) Certification of Principal Financial Officer
Exhibit 32	Section 1350 Certifications of Principal Executive Officer and Principal Financial Officer
Exhibit 101	The following financial statements from the Quarterly Report on Form 10-Q of SCBT Financial Corporation for the quarter ended June 30, 2011, formatted in eXtensible Business Reporting Language (XBRL): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Income, (iii) Consolidated Statements of Changes in Shareholders Equity and Comprehensive Income (Loss), (iv) Consolidated Statement of Cash Flows and (v) Notes to Consolidated Financial Statements.(1)

(1) As provided in Rule 406T of Regulation S-T, this information shall not be deemed filed for purposes of Section 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934 or otherwise subject to liability under those sections.

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.

SCBT FINANCIAL CORPORATION
(Registrant)

Date: August 9, 2011	/s/ Robert R. Hill, Jr. Robert R. Hill, Jr. President and Chief Executive Officer
Date: August 9, 2011	/s/ Donald E. Pickett Donald E. Pickett Executive Vice President and Chief Financial Officer
Date: August 9, 2011	/s/ Karen L. Dey Karen L. Dey Senior Vice President and Controller (Principal Accounting Officer)

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Exhibit Index

Exhibit No.	**Description**
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