SCBT FINANCIAL CORP
Form 10-Q
November 08, 2011
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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 September 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 x 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 October 31, 2011
Common Stock, $2.50 par value	14,014,513

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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)

	September 30, 2011 (Unaudited)	December 31, 2010 (Note 1)	September 30, 2010 (Unaudited)
ASSETS			
Cash and cash equivalents:			
Cash and due from banks	**$ 134,939**	$ 83,449	$ 81,462
Interest-bearing deposits with banks	**1,530**	416	928
Federal funds sold and securities purchased under agreements to resell	**22,300**	153,234	90,800
Total cash and cash equivalents	**158,769**	237,099	173,190
Investment securities:			
Securities held to maturity (fair value of $19,872, $20,150 and $21,058, respectively)	**18,699**	19,941	19,941
Securities available for sale, at fair value	**281,926**	197,374	227,137
Other investments	**20,422**	20,597	21,116
Total investment securities	**321,047**	237,912	268,194
Loans held for sale	**45,870**	42,704	49,586
Loans:			
Acquired	**418,045**	321,038	369,272
Less allowance for acquired loan losses	**(12,123)**		
Non-acquired	**2,461,613**	2,296,200	2,258,353
Less allowance for non-acquired loan losses	**(49,110)**	(47,512)	(46,657)
Loans, net	**2,818,425**	2,569,726	2,580,968
FDIC receivable for loss share agreements	**274,658**	212,103	267,486
Other real estate owned (covered of $79,740, $69,317, and $47,365, respectively; and non-covered of $22,686, $17,264, and $15,657, respectively)	**102,426**	86,581	63,022
Premises and equipment, net	**90,020**	87,381	86,396
Goodwill	**62,888**	62,888	62,888
Other assets	**61,415**	58,397	61,134
Total assets	**$ 3,935,518**	$ 3,594,791	$ 3,612,864
LIABILITIES AND SHAREHOLDERS EQUITY			
Deposits:			
Noninterest-bearing	**$ 653,923**	$ 484,838	$ 472,753
Interest-bearing	**2,633,729**	2,519,310	2,547,393
Total deposits	**3,287,652**	3,004,148	3,020,146
Federal funds purchased and securities sold under agreements to repurchase	**184,403**	191,017	163,905
Other borrowings	**46,955**	46,978	62,183
Other liabilities	**34,786**	22,691	31,435
Total liabilities	**3,553,796**	3,264,834	3,277,669

Shareholders equity:			
Preferred stock - $.01 par value; authorized 10,000,000 shares; no shares issued and outstanding			
Common stock - $2.50 par value; authorized 40,000,000 shares; 14,004,372, 12,793,823 and 12,779,463 shares issued and outstanding	**35,011**	31,985	31,949
Surplus	**232,314**	198,647	197,885
Retained earnings	**113,752**	103,117	104,730
Accumulated other comprehensive income (loss)	**645**	(3,792)	631
Total shareholders equity	**381,722**	329,957	335,195
Total liabilities and shareholders equity	**$ 3,935,518**	$ 3,594,791	$ 3,612,864

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 September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Interest income:				
Loans, including fees	**$ 42,912**	$ 36,233	**$ 120,735**	$ 106,400
Investment securities:				
Taxable	**2,023**	2,526	**5,621**	7,780
Tax-exempt	**211**	243	**662**	672
Federal funds sold and securities purchased under agreements to resell	**161**	247	**875**	713
Total interest income	**45,307**	39,249	**127,893**	115,565
Interest expense:				
Deposits	**3,958**	7,374	**14,335**	21,507
Federal funds purchased and securities sold under agreements to repurchase	**118**	226	**420**	490
Other borrowings	**551**	638	**1,611**	2,766
Total interest expense	**4,627**	8,238	**16,366**	24,763
Net interest income	**40,680**	31,011	**111,527**	90,802
Provision for loan losses	**8,323**	10,328	**23,179**	43,615
Net interest income after provision for loan losses	**32,357**	20,683	**88,348**	47,187
Noninterest income:				
Gains on acquisitions	**11,001**		**16,529**	98,081
Service charges on deposit accounts	**6,050**	5,683	**16,695**	15,788
Bankcard services income	**2,980**	2,397	**8,684**	6,617
Mortgage banking income	**2,341**	1,934	**4,329**	4,031
Trust and investment services income	**1,453**	1,199	**4,227**	3,170
Securities gains			**333**	
Other-than-temporary impairment losses	**(100)**	(479)	**(100)**	(6,740)
Accretion (amortization) of FDIC indemnification asset	**(3,515)**	530	**(7,049)**	1,466
Other	**581**	566	**1,808**	2,065
Total noninterest income	**20,791**	11,830	**45,456**	124,478
Noninterest expense:				
Salaries and employee benefits	**17,345**	15,274	**52,007**	44,289
OREO expense and loan related	**4,118**	1,861	**9,428**	2,416
Information services expense	**2,851**	2,157	**7,696**	6,684
Net occupancy expense	**2,443**	2,046	**7,365**	6,326
Furniture and equipment expense	**2,127**	1,963	**6,266**	5,537
Merger-related expense	**1,587**	566	**2,794**	5,438
FDIC assessment and other regulatory charges	**859**	1,354	**3,593**	3,904
Advertising and marketing	**824**	614	**2,022**	2,229
Amortization of intangibles	**517**	432	**1,468**	1,212
Professional fees	**377**	495	**1,311**	1,668
Federal Home Loan Bank advances prepayment fee				3,189
Other	**4,110**	3,170	**12,480**	8,604
Total noninterest expense	**37,158**	29,932	**106,430**	91,496
Earnings:				
Income before provision for income taxes	**15,990**	2,581	**27,374**	80,169
Provision for income taxes	**5,658**	794	**9,608**	28,846

Net income	**$**	**10,332**	$	1,787	**$**	**17,766**	$	51,323
Earnings per common share:								
Basic	**$**	**0.75**	$	0.14	**$**	**1.30**	$	4.07
Diluted	**$**	**0.74**	$	0.14	**$**	**1.28**	$	4.04
Dividends per common share	**$**	**0.17**	$	0.17	**$**	**0.51**	$	0.51
Weighted-average common shares outstanding:								
Basic		**13,818**		12,620		**13,613**		12,609
Diluted		**13,884**		12,711		**13,689**		12,715

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)

Nine Months Ended September 30, 2011 and 2010

(Dollars in thousands, except per share data)

	Preferred Stock		Common Stock				Accumulated Other Comprehensive	
	Shares	Amount	Shares	Amount	Surplus	Retained 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						51,323		51,323
Change in net unrealized gain on securities available for sale, net of tax							6,742	6,742
Change in unrealized losses on derivative financial instruments qualifying as cash flow hedges, net of tax							(729)	(729)
Total comprehensive income								57,336
Cash dividends declared at $.51 per share						(6,508)		(6,508)
Employee stock purchases			10,097	25	278			303
Stock options exercised			12,587	32	208			240
Restricted stock awards			22,698	57	(57)			
Common stock repurchased			(5,452)	(14)	(184)			(198)
Share-based compensation expense					1,203			1,203
Balance, September 30, 2010		$	12,779,463	$ 31,949	$ 197,885	$ 104,730	$ 631	$ 335,195
Balance, December 31, 2010		$	12,793,823	$ 31,985	$ 198,647	$ 103,117	$ (3,792)	$ 329,957
Comprehensive income:								
Net income						17,766		17,766
Change in net unrealized gain on securities available for sale, net of tax							4,916	4,916
Change in unrealized losses on derivative financial instruments qualifying as cash flow hedges, net of tax							(479)	(479)
Total comprehensive income								22,203
Cash dividends declared at $.51 per share						(7,131)		(7,131)
Employee stock purchases			11,673	29	313			342
Stock options exercised			24,102	60	363			423
Restricted stock awards			54,080	136	(136)			
Common stock repurchased			(8,338)	(21)	(231)			(252)
Share-based compensation expense					1,341			1,341
Common stock issued in private placement offering			1,129,032	2,822	32,017			34,839
Balance, September 30, 2011		$	14,004,372	$ 35,011	$ 232,314	$ 113,752	$ 645	$ 381,722

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)

	Nine Months Ended September 30, 2011	2010
Cash flows from operating activities:		
Net income	**$ 17,766**	$ 51,323
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	**7,784**	6,769
Provision for loan losses	**23,179**	43,615
Deferred income taxes	**1,907**	(4,413)
Other-than-temporary impairment on securities	**100**	6,740
Gain on sale of securities	**(333)**	
Gains on acquisitions	**(16,529)**	(98,081)
Share-based compensation expense	**1,341**	1,203
Loss on disposal of premises and equipment	**61**	36
Federal Home Loan Bank advances prepayment fee		3,189
Amortization (accretion) on FDIC indemnification asset	**7,049**	(1,466)
Accretion on acquired loans	**(11,905)**	1,622
Net amortization of investment securities	**1,136**	590
Net change in:		
Loans held for sale	**(3,166)**	(32,023)
Accrued interest receivable	**593**	2,820
Prepaid assets	**2,748**	3,055
FDIC loss share receivable	**68,570**	10,769
Accrued interest payable	**(3,964)**	(5,072)
Accrued income taxes	**(1,325)**	25,742
Miscellaneous assets and liabilities	**17,112**	(19,391)
Net cash provided by (used in) operating activities	**112,124**	(2,973)
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	**1,240**	1,595
Proceeds from maturities and calls of investment securities available for sale	**70,222**	92,176
Proceeds from sales of other investment securities	**5,651**	1,113
Purchases of investment securities available for sale	**(108,366)**	(43,143)
Purchases of other investment securities	**(1,041)**	
Net increase in customer loans	**(37,540)**	(989)
Net cash received from acquisition	**136,716**	306,298
Purchases of premises and equipment	**(12,922)**	(20,876)
Proceeds from sale of premises and equipment	**26**	45
Net cash provided by investing activities	**106,268**	336,219
Cash flows from financing activities:		
Net decrease in deposits	**(257,725)**	(92,998)
Net increase (decrease) in federal funds purchased and securities sold under agreements to repurchase and other short-term borrowings	**(8,090)**	224
Repayment of FHLB advances	**(59,128)**	(166,027)
Common stock issuance	**35,181**	303
Common stock repurchased	**(252)**	(198)
Dividends paid on common stock	**(7,131)**	(6,508)
Stock options exercised	**423**	240

Net cash used in financing activities		**(296,722)**		(264,964)
Net increase (decrease) in cash and cash equivalents		**(78,330)**		68,282
Cash and cash equivalents at beginning of period		**237,099**		104,908
Cash and cash equivalents at end of period	**$**	**158,769**	$	173,190
Supplemental Disclosures:				
Cash paid for:				
Interest	**$**	**18,614**	$	29,835
Income taxes	**$**	**8,240**	$	6,324
Noncash investing activities:				
Transfers of loans to foreclosed properties (covered of $22,038 and $30,643, respectively; and non-covered of $19,801 and $20,629, respectively)	**$**	**41,839**	$	51,272

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 nine months ended September 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, net of the expected reimbursement from the FDIC through the loss share agreement. 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 also adjusted for reimbursable expenses through non-interest expense.

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

In May 2011, the FASB issued ASU No. 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS* (ASU No. 2011-04). ASU No. 2011-04 results in common fair value measurement and disclosure requirements in U.S. GAAP and IFRSs. ASU 2011-04 is effective for interim and annual reporting periods beginning after December 15, 2011. Adoption of ASU 2011-04 is not expected to have a significant impact on the Company s financial statement disclosures.

In June 2011, the FASB issued ASU No. 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income* (ASU No. 2011-05). ASU No. 2011-05 requires an entity to present the total of comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. ASU 2011-05 eliminates the option to present the components of other comprehensive income as part of the statement of equity. ASU 2011-05 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2011, with early adoption permitted. Management is evaluating the impact of this ASU on the Company s consolidated financial statements.

In September 2011, the FASB issued ASU No 2011-08, Intangibles Goodwill and Other (Topic 350) (ASU No. 2011-08). ASU 2011-08 allows companies to waive comparing the fair value of a reporting unit to its carrying amount in assessing the recoverability of goodwill if, based on qualitative factors, it is not more likely than not that the fair value of a reporting unit is less than its carrying amount. ASU 2011-08 will be effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Management is evaluating the impact of this ASU on the Company s consolidated financial statements.

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Note 3 Recent Accounting and Regulatory Pronouncements (continued)

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 has resulted in permanent FDIC protection for up to $250,000 of certain 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 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 Tier 1 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 the payment of interest on demand deposits, became effective. As a result of this repeal, our Bank has the option of offering interest bearing demand deposits, and may incur increased interest costs for funding if we elect to offer such deposit accounts.

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 are 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 and the identification of three additional TDRs for a total of $1.1 million.

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.

Note 4 Mergers and Acquisitions (continued)

BankMeridian Acquisition

On July 29, 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 BankMeridian, N.A., a full service community bank headquartered in Columbia, South Carolina. BankMeridian operated 3 branches in total in Columbia, Spartanburg, and Hilton Head, South Carolina.

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. 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 assets (loans and OREO) provides for FDIC loss sharing and Bank reimbursement to the FDIC for ten years. The loss share agreement applicable to commercial assets (loans and OREO) 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.

The Bank did not immediately acquire the real estate, banking facilities, furniture or equipment of BankMeridian as a part of the P&A agreement. However, the Bank has the option to purchase the real estate and furniture and equipment from the FDIC. The term of this option expired approximately 90 days from the date of the acquisition. In September of 2011, the Bank consolidated the main BankMeridian location in Columbia into the Bank s main Columbia location, and opted to not acquire this facility. The Bank also plans to consolidate its Spartanburg and Hilton Head locations into the locations assumed in the BankMeridian transaction during the fourth quarter of 2011. The result of these actions will be no additional branch locations for the Bank.

As of September 30, 2011, there have been no adjustments or changes to the initial fair values related to the BankMeridian 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. Additionally, disclosure of pro forma financial information is made more difficult by the troubled nature of BankMeridian prior to the date of the combination. Accordingly, no pro forma financial information has been presented.

During the three months and nine months ended September 30, 2011, noninterest income included a pre-tax gain of $11.0 million which resulted from the acquisition of BankMeridian. 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 BankMeridian prior to the acquisition. The Company recognized $578,000 in merger-related expense from the BankMeridian acquisition during the three months and nine months ended September 30, 2011.

Included in the initial fair value of the FDIC indemnification asset recognized below is an expected true up with the FDIC, where there is an estimated payment to the FDIC of approximately $1.0 million at the end of the loss share agreement (in 10 years). The actual payment will be determined at the end of the loss sharing agreement term and is based on the negative bid, expected losses, intrinsic loss estimate, and assets covered under loss share. This true up estimate will be eliminated if the actual losses were to exceed management s current estimate by an additional $10.0 million.

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Note 4 Mergers and Acquisitions (continued)

The following table presents the assets acquired and liabilities assumed as of July 29, 2011, as recorded by BankMeridian on the acquisition date and as adjusted for purchase accounting adjustments.

(Dollars in thousands)	As Recorded by BankMeridian	Balances Kept by FDIC	Balances Acquired from FDIC	Fair Value Adjustments	As Recorded by SCBT
Assets					
Cash and cash equivalents	$ 28,363	$ 23	$ 28,386	$	$ 28,386
Investment securities	35,671	(77)	35,594	(242)(a)	35,352
Loans	145,290	9,021	154,311	(59,330)(b)	94,981
Premises and equipment	1,320	(1,316)	4	15(c)	19
Intangible assets				551(d)	551
FDIC receivable for loss sharing agreement				50,753(e)	50,753
Other real estate owned and repossessed assets	13,932	669	14,601	(9,775)(f)	4,826
Other assets	1,126	492	1,618	(761)(g)	857
Total assets	$ 225,702	$ 8,812	$ 234,514	$ (18,789)	$ 215,725
Liabilities					
Deposits:					
Noninterest-bearing	$ 12,431	$ (12)	$ 12,419	$	$ 12,419
Interest-bearing	192,551	(4,609)	187,942	220(h)	188,162
Total deposits	204,982	(4,621)	200,361	220	200,581
Other borrowings	20,000		20,000	790(i)	20,790
Other liabilities	1,016	(142)	874		874
Total liabilities	225,998	(4,763)	221,235	1,010	222,245
Net assets acquired over (under) liablities assumed	$ (296)	$ 13,575	$ 13,279	$ (19,799)	$ (6,520)
Excess of assets acquired over (under) liabilities assumed	$ (296)	$ 13,575	$ 13,279		
Aggregate fair value adjustments				$ (19,799)	
Cash received from the FDIC					$ 17,050
Cash due from FDIC					471
Total					17,521
Gain on acquisition (noninterest income)					$ 11,001

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 fair value adjustments based on the Company s evaluation of the acquired premises and equipment.

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

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

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

(g) Adjustment reflects uncollectible portion of accrued interest receivable.

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

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

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Note 4 Mergers and Acquisitions (continued)

Habersham Bank Acquisition

On February 18, 2011, the Bank entered into a 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.

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 assets (loans and OREO) provides for FDIC loss sharing and Bank reimbursement to the FDIC for ten years. The loss share agreement applicable to commercial assets (loans and OREO) 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.

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 $6.4 million as of September 30, 2011. These five banking facilities include both leased and owned locations. In June of 2011, the Bank closed 3 branches and converted the operating system of the acquired Georgia franchise.

As of September 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. Additionally, disclosure of pro forma financial information is made more difficult by the troubled nature of BankMeridian prior to the date of the combination. Accordingly, no pro forma financial information has been presented.

For the nine months ended September 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 $239,000 and $1.4 million in merger-related expense related to the Habersham acquisition during the three months and nine months ended September 30, 2011.

There is no expected true up included in the initial fair value of the FDIC indemnification asset recognized for this acquisition. This is the result of the amount of the negative bid, the expected losses, intrinsic loss estimate, and the assets covered under loss share. This true up estimate can result in a needed true up if the expected losses were to decline by more than $26.0 million.

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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 (under) liablities assumed	$ 1,452	$ (21,584)	$ (20,132)	$ (32,762)	$ (52,894)
Excess of assets acquired over (under) 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 assets (loans and OREO) provides for FDIC loss sharing and Bank reimbursement to the FDIC for ten years. The loss share agreement applicable to commercial assets (loans and OREO) 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.

Currently, there is no true up expected with the CBT acquisition, given the level of expected losses. Expected losses and cash flow are measured and evaluated each quarter, and can result in a need true up .

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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 fee 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
September 30, 2011:				
State and municipal obligations	**$ 18,699**	**$ 1,173**	**$**	**$ 19,872**
December 31, 2010:				
State and municipal obligations	$ 19,941	$ 227	$ (18)	$ 20,150
September 30, 2010:				
State and municipal obligations	$ 19,941	$ 1,117	$	$ 21,058

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
September 30, 2011:				
Government-sponsored enterprises debt *	**$ 60,017**	**$ 1,312**	**$ (9)**	**$ 61,320**
State and municipal obligations	**40,605**	**2,871**	**(28)**	**43,448**
Mortgage-backed securities **	**171,280**	**5,581**	**(6)**	**176,855**
Corporate stocks	**255**	**59**	**(11)**	**303**
	$ 272,157	**$ 9,823**	**$ (54)**	**$ 281,926**
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
September 30, 2010:				
Government-sponsored enterprises debt *	$ 94,971	$ 2,042	$ (8)	$ 97,005
State and municipal obligations	38,672	2,382	(155)	40,899
Mortgage-backed securities **	79,125	4,349	(23)	83,451
Trust preferred (collateralized debt obligations)	5,360	237	(154)	5,443
Corporate stocks	285	88	(34)	339
	$ 218,413	$ 9,098	$ (374)	$ 227,137

* - 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
September 30, 2011:				
Federal Reserve Bank stock	**$ 7,028**	**$**	**$**	**$ 7,028**
Federal Home Loan Bank stock	**12,062**			**12,062**
Investment in unconsolidated subsidiaries	**1,332**			**1,332**
	$ 20,422	**$**	**$**	**$ 20,422**
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
September 30, 2010:				
Federal Reserve Bank stock	$ 5,987	$	$	$ 5,987
Federal Home Loan Bank stock	13,797			13,797
Investment in unconsolidated subsidiaries	1,332			1,332
	$ 21,116	$	$	$ 21,116

The Company has determined that the investment in Federal Reserve Bank stock and FHLB stock is not other than temporarily impaired as of September 30, 2011 and ultimate recoverability of the par value of these investments is probable.

The amortized cost and fair value of debt securities at September 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	$	$	$ 4	$ 4
Due after one year through five years	662	672	11,738	11,891
Due after five years through ten years	5,377	5,680	60,445	62,133
Due after ten years	12,661	13,520	199,971	207,898
	$ 18,699	$ 19,872	$ 272,157	$ 281,926

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Note 5 Investment Securities (continued)

Information pertaining to the Company s securities with gross unrealized losses at September 30, 2011, December 31, 2010 and September 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
September 30, 2011:				
Securities Held to Maturity				
State and municipal obligations	**$**	**$**	**$**	**$**
Securities Available for Sale				
Government-sponsored enterprises debt	**$ 9**	**$ 5,502**	**$**	**$**
State and municipal obligations	**3**	**675**	**25**	**476**
Mortgage-backed securities	**6**	**3,647**		
Corporate stocks	**11**	**14**		
	$ 29	**$ 9,838**	**$ 25**	**$ 476**
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
September 30, 2010:				
Securities Held to Maturity				
State and municipal obligations	$	$	$	$
Securities Available for Sale				
Government-sponsored enterprises debt	$ 8	$ 6,392	$	$
State and municipal obligations	1	321	154	2,422
Mortgage-backed securities	23	1,685		
Trust preferred (collateralized debt obligations)			154	2,416
Corporate stocks	34	134		
	$ 66	$ 8,532	$ 308	$ 4,838

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Note 6 Loans and Allowance for Loan Losses

The following is a summary of non-acquired loans:

(Dollars in thousands)	September 30, 2011	December 31, 2010	September 30, 2010
Non-acquired loans:			
Commercial non-owner occupied real estate:			
Construction and land development	**$ 316,072**	391,987	$ 402,256
Commercial non-owner occupied	**304,616**	320,203	322,050
Total commercial non-owner occupied real estate	**620,688**	712,190	724,306
Consumer real estate:			
Consumer owner occupied	**394,205**	325,470	314,933
Home equity loans	**264,588**	263,961	256,934
Total consumer real estate	**658,793**	589,431	571,867
Commercial owner occupied real estate	**719,791**	578,587	547,151
Commercial and industrial	**216,573**	202,987	203,903
Other income producing property	**142,325**	124,431	127,868
Consumer	**84,972**	67,768	61,669
Other loans	**18,471**	20,806	21,589
Total non-acquired loans	**2,461,613**	2,296,200	2,258,353
Less allowance for loan losses	**(49,110)**	(47,512)	(46,657)
Non-acquired loans, net	**$ 2,412,503**	$ 2,248,688	$ 2,211,696

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:

	September 30, 2011		
(Dollars in thousands)	**Loans Impaired at Acquisition**	**Loans Not Impaired at Acquisition**	**Total**
Acquired loans:			
Commercial loans greater than or equal to $1 million	**$ 12,744**	**$ 39,472**	**$ 52,216**
Commercial real estate	**44,502**	**72,023**	**116,525**
Commercial real estate construction and development	**38,124**	**22,561**	**60,685**
Residential real estate	**54,272**	**76,545**	**130,817**
Residential real estate junior lien	**954**	**1,491**	**2,445**
Home equity	**474**	**891**	**1,365**
Consumer	**6,538**	**5,234**	**11,772**
Commercial and industrial	**14,326**	**27,513**	**41,839**
Single pay	**171**	**210**	**381**
Total acquired loans	**$ 172,105**	**$ 245,940**	**$ 418,045**
Less allowance for loan losses	**(8,930)**	**(3,193)**	**(12,123)**
Acquired loans, net	**$ 163,175**	**$ 242,747**	**$ 405,922**

	December 31, 2010		
(Dollars in thousands)	**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

There was no allowance for loan losses.

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Note 6 Loans and Allowance for Loan Losses (continued)

	September 30, 2010		
(Dollars in thousands)	**Loans Impaired at Acquisition**	**Loans Not Impaired at Acquisition**	**Total**
Acquired loans:			
Commercial loans greater than or equal to $1 million	$ 42,873	$ 51,532	$ 94,405
Commercial real estate	25,684	47,512	73,196
Commercial real estate construction and development	25,183	17,983	43,166
Residential real estate	55,539	44,867	100,406
Residential real estate junior lien	2,023	1,702	3,725
Home equity	533	1,003	1,536
Consumer	7,206	5,982	13,188
Commercial and industrial	11,596	14,940	26,536
Single pay	12,473	641	13,114
Total acquired loans	$ 183,110	$ 186,162	$ 369,272

There was no allowance for loan losses.

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 BankMeridian (July 29, 2011) are as follows:

	July 29, 2011		
(Dollars in thousands)	**Loans Impaired at Acquisition**	**Loans Not Impaired at Acquisition**	**Total**
Contractual principal and interest	$ 98,774	$ 87,869	$ 186,643
Non-accretable difference	(52,671)	(17,775)	(70,446)
Cash flows expected to be collected	46,103	70,094	116,197
Accretable yield	(8,468)	(12,748)	(21,216)
Carrying value	$ 37,635	$ 57,346	$ 94,981

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:

	February 18, 2011		
(Dollars in thousands)	**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 September 30, 2011, December 31, 2010, and September 30, 2010 are as follows:

	September 30, 2011		
(Dollars in thousands)	**Loans Impaired at Acquisition**	**Loans Not Impaired at Acquisition**	**Total**
Contractual principal and interest	$ 407,068	$ 387,106	$ 794,174
Non-accretable difference	(207,217)	(80,846)	(288,063)
Cash flows expected to be collected	199,851	306,260	506,111
Accretable yield	(36,676)	(63,513)	(100,189)
Carrying value	$ 163,175	$ 242,747	$ 405,922

	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

	September 30, 2010		
(Dollars in thousands)	**Loans Impaired at Acquisition**	**Loans Not Impaired at Acquisition**	**Total**
Contractual principal and interest	$ 337,364	$ 292,389	$ 629,753
Non-accretable difference	(139,976)	(86,311)	(226,287)
Cash flows expected to be collected	197,388	206,078	403,466
Accretable yield	(14,278)	(19,916)	(34,194)
Carrying value	$ 183,110	$ 186,162	$ 369,272

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 $644.1 million at September 30, 2011, $519.2 million at December 31, 2010 and $604.9 million at September 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 September 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	**92,541**	**129,893**	**222,434**
Reductions for payments and foreclosures	**(63,495)**	**(61,932)**	**(125,427)**
Change in the allowance for loan losses on acquired loans	**(8,930)**	**(3,193)**	**(12,123)**
Balance, September 30, 2011, net of allowance for loan losses on acquired loans	**$ 163,175**	**$ 242,747**	**$ 405,922**
Balance, December 31, 2009	$	$	$
Fair value of acquired loans	233,236	226,229	459,465
Reductions for payments and foreclosures	(50,126)	(40,067)	(90,193)
Balance, September 30, 2010	$ 183,110	$ 186,162	$ 369,272

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

(Dollars in thousands)	
Beginning balance December 31, 2010	$ 44,684
Addition from the Habersham acquisition	28,115
Addition from the BankMeridian acquisition	21,216
Interest income	(30,152)
Improved cash flows affecting nonaccretable difference	42,273
Other changes, net	(5,947)
Ending balance, September 30, 2011	$ 100,189

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. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on, among other factors, changes in economic conditions in our markets. In addition, regulatory agencies, as an integral part of their examination process, periodically review our allowances for losses on loans. These agencies may require management to recognize additions to the allowances based on their judgments about information available to them at the time of their examination. Because of these and other factors, it is possible that the allowances for losses on loans may change. The provision for loan losses is charged to expense in an amount necessary to maintain the allowance at an appropriate level.

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Note 6 Loans and Allowance for Loan Losses (continued)

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 or substandard. 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.

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. 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 2 Summary of Significant Accounting Policies and Note 4 Mergers and Acquisitions.)

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Note 6 Loans and Allowance for Loan Losses (continued)

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

(Dollars in thousands)	Non-acquired Loans	Acquired Loans	Total
Three months ended September 30, 2011:			
Balance at beginning of period	**$ 48,180**	**$ 13,695**	**$ 61,875**
Loans charged-off	**(7,858)**	**(5,897)**	**(13,755)**
Recoveries of loans previously charged off	**681**		**681**
Net charge-offs	**(7,177)**	**(5,897)**	**(13,074)**
Provision for loan losses	**8,107**	**4,325**	**12,432**
Benefit attributable to FDIC loss share agreements		**(4,109)**	**(4,109)**
Total provision for loan losses charged to operations	**8,107**	**216**	**8,323**
Provision for loan losses recorded through the FDIC loss share receivable		**4,109**	**4,109**
Balance at end of period	**$ 49,110**	**$ 12,123**	**$ 61,233**
Three months ended September 30, 2010:			
Balance at beginning of period	$ 46,167	$	$ 46,167
Loans charged-off	(10,852)		(10,852)
Recoveries of loans previously charged off	1,014		1,014
Net charge-offs	(9,838)		(9,838)
Provision for loan losses	10,328		10,328
Balance at end of period	$ 46,657	$	$ 46,657

(Dollars in thousands)	Non-acquired Loans	Acquired Loans	Total
Nine months ended September 30, 2011:			
Balance at beginning of period	**$ 47,512**	**$**	**$ 47,512**
Loans charged-off	**(21,950)**	**(17,747)**	**(39,697)**
Recoveries of loans previously charged off	**1,863**		**1,863**
Net charge-offs	**(20,087)**	**(17,747)**	**(37,834)**
Provision for loan losses	**21,685**	**29,870**	**51,555**
Benefit attributable to FDIC loss share agreements		**(28,376)**	**(28,376)**
Total provision for loan losses charged to operations	**21,685**	**1,494**	**23,179**
Provision for loan losses recorded through the FDIC loss share receivable		**28,376**	**28,376**
Balance at end of period	**$ 49,110**	**$ 12,123**	**$ 61,233**
Nine months ended September 30, 2010:			
Balance at beginning of period	$ 37,488	$	$ 37,488
Loans charged-off	(36,395)		(36,395)
Recoveries of loans previously charged off	1,949		1,949
Net charge-offs	(34,446)		(34,446)
Provision for loan losses	43,615		43,615
Balance at end of period	$ 46,657	$	$ 46,657

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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 September 30, 2011 and September 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
September 30, 2011										
Allowance for loan losses:										
Balance, June 30, 2011	$ 13,548	$ 6,271	$ 8,357	$ 6,401	$ 4,403	$ 4,299	$ 3,089	$ 1,528	$ 284	$ 48,180
Charge-offs	(2,440)	(1,052)	(1,125)	(739)	(1,054)	(452)	(477)	(40)	(479)	(7,858)
Recoveries	161	5	149		10	132	210		14	681
Provision	3,059	1,255	813	881	1,001	254	325	170	349	8,107
Balance, September 30, 2011	$ 14,328	$ 6,479	$ 8,194	$ 6,543	$ 4,360	$ 4,233	$ 3,147	$ 1,658	$ 168	$ 49,110
Loans individually evaluated for impairment	$ 2,384	$ 438	$ 439	$ 278	$	$	$ 188	$	$	$ 3,727
Loans collectively evaluated for impairment	$ 11,944	$ 6,041	$ 7,755	$ 6,265	$ 4,360	$ 4,233	$ 2,959	$ 1,658	$ 168	$ 45,383
Loans:										
Loans individually evaluated for impairment	$ 20,413	$ 11,737	$ 14,578	$ 2,959	$	$ 4,723	$ 2,994	$	$	$ 57,404
Loans collectively evaluated for impairment	295,659	292,879	705,213	391,246	264,588	211,850	139,331	84,972	18,471	2,404,209
Total non-acquired loans	$ 316,072	$ 304,616	$ 719,791	$ 394,205	$ 264,588	$ 216,573	$ 142,325	$ 84,972	$ 18,471	$ 2,461,613

(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
September 30, 2010										
Allowance for loan losses:										
Balance, June 30, 2010	$ 13,415	$ 6,996	$ 7,094	$ 5,663	$ 4,224	$ 4,073	$ 2,886	$ 1,345	$ 471	$ 46,167
Charge-offs	(5,463)	(1,493)	(376)	(1,131)	(394)	(314)	(990)	(108)	(583)	(10,852)
Recoveries	211	26	24	69	21	460	10	34	159	1,014
Provision	4,678	651	1,273	1,413	621	123	1,200	90	279	10,328
Balance, September 30, 2010	$ 12,841	$ 6,180	$ 8,015	$ 6,014	$ 4,472	$ 4,342	$ 3,106	$ 1,361	$ 326	$ 46,657
Loans individually evaluated for impairment	$ 1,740	$ 878	$ 435	$	$	$ 206	$ 578	$	$	$ 3,837
Loans collectively evaluated for impairment	$ 11,101	$ 5,302	$ 7,580	$ 6,014	$ 4,472	$ 4,136	$ 2,528	$ 1,361	$ 326	$ 42,820
Loans:										
Loans individually evaluated for impairment	$ 27,198	$ 9,210	$ 6,952	$ 434	$	$ 2,032	$ 4,586	$	$	$ 50,412
Loans collectively evaluated for impairment	375,058	312,840	540,199	314,499	256,934	201,871	123,282	61,669	21,589	2,207,941

Total non-acquired loans	$	402,256	$	322,050	$	547,151	$	314,933	$	256,934	$	203,903	$	127,868	$	61,669	$	21,589	$	2,258,353

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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 for non-acquired loans for the nine months ended September 30, 2011 and September 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	Other Consumer	Loans	Total
September 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	(9,217)	(2,808)	(2,157)	(2,692)	(1,808)	(900)	(1,320)	(156)	(892)	(21,950)
Recoveries	391	43	157	106	101	241	372	59	393	1,863
Provision	8,912	2,816	2,380	3,069	1,643	579	1,261	564	461	21,685
Balance, September 30, 2011	$ 14,328	$ 6,479	$ 8,194	$ 6,543	$ 4,360	$ 4,233	$ 3,147	$ 1,658	$ 168	$ 49,110

(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
September 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	(14,755)	(2,557)	(2,267)	(3,700)	(1,931)	(7,346)	(2,287)	(308)	(1,244)	(36,395)
Recoveries	613	30	55	83	39	601	10	122	396	1,949
Provision	17,814	2,915	4,249	4,996	2,613	6,757	3,008	289	974	43,615
Balance, September 30, 2010	$ 12,841	$ 6,180	$ 8,015	$ 6,014	$ 4,472	$ 4,342	$ 3,106	$ 1,361	$ 326	$ 46,657

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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 nine months ended September 30, 2011. As of September 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
Allowance for loan losses:										
For the three months ended September 30, 2011:										
Balance, June 30, 2011	$ 10,913	$ 1,318	$	$ 1,464	$	$	$	$	$	$ 13,695
Charge-offs	(4,931)	(281)		(432)				(253)		(5,897)
Recoveries										
Provision for loan losses before benefit attibutable to FDIC loss share agreements	1,752							2,573		4,325
Benefit attributable to FDIC loss share agreements	(1,664)							(2,444)		(4,109)
Total provision for loan losses charged to operations	88							129		216
Provision for loan losses recorded through the FDIC loss share receivable	1,664							2,444		4,109
Balance, September 30, 2011	$ 7,734	$ 1,037	$	$ 1,032	$	$	$	$ 2,320	$	$ 12,123
For the nine months ended September 30, 2011										
Balance, December 31, 2010	$	$	$	$	$	$	$	$	$	$
Charge-offs	(10,825)	(281)		(432)	(462)			(2,182)	(3,565)	(17,747)
Recoveries										
Provision for loan losses before benefit attibutable to FDIC loss share agreements	18,559	1,318		1,464	462			4,502	3,565	29,870
Benefit attributable to FDIC loss share agreements	(17,630)	(1,252)		(1,391)	(439)			(4,277)	(3,387)	(28,376)
Total provision for loan losses charged to operations	929	66		73	23			225	178	1,495
Provision for loan losses recorded through the FDIC loss share receivable	17,630	1,252		1,391	439			4,277	3,387	28,376
Balance, September 30, 2011	$ 7,734	$ 1,037	$	$ 1,032	$	$	$	$ 2,320	$	$ 12,123

Loans individually evaluated for impairment	$	$	$	$	$	$	$	$	$	$
Loans collectively evaluated for impairment	$ 7,734	$ 1,037	$	$ 1,032	$	$	$	$ 2,320	$	$ 12,123
Loans:										
Loans individually evaluated for impairment	$	$	$	$	$	$	$	$	$	$
Loans collectively evaluated for impairment	52,216	116,525	60,685	130,817	2,445	1,365	11,772	41,839	381	418,045
Total acquired loans	$ 52,216	$ 116,525	$ 60,685	$ 130,817	$ 2,445	$ 1,365	$ 11,772	$ 41,839	$ 381	$ 418,045

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Note 6 Loans and Allowance for Loan Losses (continued)

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 level of classified loans, (ii) net charge-offs, (iii) non-performing loans (see details below) and (iv) 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 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 may 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.

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)	**September 30, 2011**	**December 31, 2010**	**September 30, 2010**	**September 30, 2011**	**December 31, 2010**	**September 30, 2010**	**September 30, 2011**	**December 31, 2010**	**September 30, 2010**
Pass	**$ 228,166**	$ 284,708	$ 282,211	**$ 233,283**	$ 258,698	$ 267,919	**$ 635,881**	$ 503,367	$ 465,304
Special mention	**40,294**	40,463	42,844	**51,241**	37,487	33,408	**45,398**	38,204	47,095
Substandard	**47,612**	66,816	77,201	**20,092**	24,018	20,502	**38,512**	36,785	34,748
Doubtful						221		231	4
	$ 316,072	$ 391,987	$ 402,256	**$ 304,616**	$ 320,203	$ 322,050	**$ 719,791**	$ 578,587	$ 547,151

	Commercial & Industrial			**Other Income Producing Property**			**Commercial Total**		
	September 30, 2011	**December 31, 2010**	**September 30, 2010**	**September 30, 2011**	**December 31, 2010**	**September 30, 2010**	**September 30, 2011**	**December 31, 2010**	**September 30, 2010**

Pass	**$ 200,996**	$ 190,608	$ 188,994	**$ 118,502**	$ 101,441	$ 102,557	**$ 1,416,828**	$ 1,338,822	$ 1,306,985
Special mention	**6,598**	8,104	8,258	**11,823**	10,074	10,625	**155,354**	134,332	142,230
Substandard	**8,979**	4,275	6,651	**12,000**	12,872	14,611	**127,195**	144,766	153,713
Doubtful					44	75		275	300
	$ 216,573	$ 202,987	$ 203,903	**$ 142,325**	$ 124,431	$ 127,868	**$ 1,699,377**	$ 1,618,195	$ 1,603,228

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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 consumer loans for non-acquired loans at September 30:

	Consumer Owner Occupied			Home Equity			Consumer		
(Dollars in thousands)	September 30, 2011	December 31, 2010	September 30, 2010	September 30, 2011	December 31, 2010	September 30, 2010	September 30, 2011	December 31, 2010	September 30, 2010
Pass	**$ 343,662**	$ 289,168	$ 282,381	**$ 246,970**	$ 248,261	$ 241,720	**$ 83,842**	$ 66,775	$ 60,764
Special mention	**28,348**	17,919	13,215	**9,904**	7,794	8,631	**665**	532	321
Substandard	**22,195**	18,383	19,297	**7,714**	7,906	6,583	**465**	461	511
Doubtful			40						73
	$ 394,205	$ 325,470	$ 314,933	**$ 264,588**	$ 263,961	$ 256,934	**$ 84,972**	$ 67,768	$ 61,669

	Other			Consumer Total		
	September 30, 2011	December 31, 2010	September 30, 2010	September 30, 2011	December 31, 2010	September 30, 2010
Pass	**$ 18,471**	$ 20,806	$ 21,589	**$ 692,945**	$ 625,010	$ 606,454
Special mention				**38,917**	26,245	22,167
Substandard				**30,374**	26,750	26,391
Doubtful						113
	$ 18,471	$ 20,806	$ 21,589	**$ 762,236**	$ 678,005	$ 655,125

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

	Total Non-acquired Loans		
	September 30, 2011	December 31, 2010	September 30, 2010
Pass	**$ 2,109,773**	$ 1,963,832	$ 1,913,443
Special mention	**194,271**	160,577	164,397
Substandard	**157,569**	171,516	180,104
Doubtful		275	409
	$ 2,461,613	$ 2,296,200	$ 2,258,353

At September 30, 2011, the aggregate amount of non-acquired substandard and doubtful loans totaled $157.6 million. When these loans are combined with non-acquired OREO of $22.7 million, our non-acquired classified assets (as defined by our primary federal regulator, the Office of the Comptroller of the Currency (the OCC)) were $180.3 million. At December 31, 2010, the amounts were $171.8 million, $17.3 million, and $189.1 million, respectively. At September 30, 2010, the amounts were $180.5 million, $15.7 million, and $199.2 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 September 30:

	Commercial Loans Greater Than or Equal to $1 million			Commercial Real Estate			Commercial Real Estate Construction and Development		
(Dollars in thousands)	Sept 30, 2011	December 31, 2010	Sept 30, 2010	Sept 30, 2011	December 31, 2010	Sept 30, 2010	Sept 30, 2011	December 31, 2010	Sept 30, 2010
Pass	**$ 17,994**	$ 26,395	$ 27,775	**$ 37,997**	$ 29,506	$ 33,286	**$ 12,047**	$ 11,897	$ 15,778
Special mention	**6,040**	10,317	7,825	**23,938**	10,048	11,135	**7,927**	3,218	3,226
Substandard	**28,182**	46,952	57,184	**54,090**	26,696	28,404	**37,931**	16,877	23,340
Doubtful		624	1,621	**500**	378	371	**2,780**	320	822
	$ 52,216	$ 84,288	$ 94,405	**$ 116,525**	$ 66,628	$ 73,196	**$ 60,685**	$ 32,312	$ 43,166

	Residential Real Estate			Residential Real Estate Junior Lien			Home Equity		
	Sept 30, 2011	December 31, 2010	Sept 30, 2010	Sept 30, 2011	December 31, 2010	Sept 30, 2010	Sept 30, 2011	December 31, 2010	Sept 30, 2010
Pass	**$ 55,089**	$ 42,807	$ 49,976	**$ 1,508**	$ 2,219	$ 2,410	**$ 895**	$ 1,069	$ 1,275
Special mention	**19,147**	10,470	11,525	**269**	93	84	**216**	156	190
Substandard	**53,674**	33,112	36,445	**596**	1,112	971	**254**	294	71
Doubtful	**2,907**	1,156	2,460	**72**	249	260			
	$ 130,817	$ 87,545	$ 100,406	**$ 2,445**	$ 3,673	$ 3,725	**$ 1,365**	$ 1,519	$ 1,536

	Consumer			Commercial & Industrial			Single Pay		
	Sept 30, 2011	December 31, 2010	Sept 30, 2010	Sept 30, 2011	December 31, 2010	Sept 30, 2010	Sept 30, 2011	December 31, 2010	Sept 30, 2010
Pass	**$ 7,127**	$ 7,401	$ 9,263	**$ 14,712**	$ 10,482	$ 12,299	**$ 98**	$ 258	$ 380
Special mention	**1,084**	528	593	**8,551**	3,389	3,491	**62**	65	
Substandard	**3,041**	2,828	3,143	**17,429**	10,503	9,752	**221**	8,877	12,096
Doubtful	**520**	158	189	**1,147**	368	994		216	638
	$ 11,772	$ 10,915	$ 13,188	**$ 41,839**	$ 24,742	$ 26,536	**$ 381**	$ 9,416	$ 13,114

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 September 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 real estate:							
Construction and land development	$ 578	$ 473	$ 383	$ 1,434	$ 25,087	$ 289,551	$ 316,072
Commercial non-owner occupied	779	818		1,597	11,272	291,747	304,616
Commercial owner occupied	1,150	348		1,498	14,653	703,640	719,791
Consumer real estate:							
Consumer owner occupied	847	552	34	1,433	9,819	382,953	394,205
Home equity loans	1,307	80	1	1,388	1,752	261,448	264,588
Commercial and industrial	517	229	4	750	4,961	210,862	216,573
Other income producing property	232			232	4,704	137,389	142,325
Consumer	263	73	32	368	205	84,399	84,972
Other loans	92	33	41	166	408	17,897	18,471
	$ 5,765	$ 2,606	$ 495	$ 8,866	$ 72,861	$ 2,379,886	$ 2,461,613

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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 September 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	$ 3,547	$ 876	$ 21	$ 4,444	$ 34,307	$ 363,505	$ 402,256
Commercial non-owner occupied	769	31		800	8,740	312,510	322,050
Commercial owner occupied	1,391	185		1,576	8,754	536,821	547,151
Consumer real estate:							
Consumer owner occupied	1,917	460	119	2,496	7,610	304,827	314,933
Home equity loans	1,057	165		1,222	1,162	254,550	256,934
Commercial and industrial	938	33	114	1,085	2,852	199,966	203,903
	333	185		518	6,713	120,637	127,868

Other income producing property							
Consumer	438	101	14	553	305	60,811	61,669
Other loans	380		51	431		21,158	21,589
	$ 10,770	$ 2,036	$ 319	$ 13,125	$ 70,443	$ 2,174,785	$ 2,258,353

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Note 6 Loans and Allowance for Loan Losses (continued)

An aging analysis of past due loans, segregated by class for acquired loans as of September 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	$ 2,294	$ 1,440	$ 17,666	$ 21,400	$	$ 30,816	$ 52,216
Commercial real estate	2,575	1,045	23,224	26,844		89,681	116,525
Commercial real estate construction and development	1,604	675	27,025	29,304		31,381	60,685
Residential real estate	3,631	2,483	14,365	20,479		110,338	130,817
Residential real estate junior lien	136	82	99	317		2,128	2,445
Home equity	21		33	54		1,311	1,365
Consumer	491	229	936	1,656		10,116	11,772
Commercial and industrial	1,093	1,697	8,242	11,032		30,807	41,839
Single pay	7	3	121	131		250	381
	$ 11,852	$ 7,654	$ 91,711	$ 111,217	$	$ 306,828	$ 418,045

An aging analysis of past due loans, segregated by class 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		1,347	1,519
Consumer	614	323	1,303	2,240		8,675	10,915
Commercial and industrial	1,533	470	6,986	8,989		15,753	24,742
Single pay			8,900	8,900		516	9,416
	$ 11,092	$ 3,262	$ 93,605	$ 107,959	$	$ 213,081	$ 321,040

An aging analysis of past due loans, segregated by class for acquired loans, as of September 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	$ 3,058	$ 3,807	$ 31,218	$ 38,083	$	$ 56,322	$ 94,405
Commercial real estate	2,778	3,357	16,023	22,158		51,038	73,196
Commercial real estate construction and development	2,370	2,525	16,006	20,901		22,265	43,166
Residential real estate	5,730	3,571	23,265	32,566		67,840	100,406
Residential real estate junior lien	253	176	503	932		2,793	3,725
Home equity	41	91	29	161		1,375	1,536
Consumer	884	349	1,778	3,011		10,177	13,188
Commercial and industrial	2,290	1,322	6,495	10,107		16,429	26,536
Single pay	7	4,788	7,579	12,374		740	13,114
	$ 17,411	$ 19,986	$ 102,896	$ 140,293	$	$ 228,979	$ 369,272

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)

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
September 30, 2011					
Commercial real estate:					
Construction and land development	**$ 31,695**	**$ 11,839**	**$ 8,574**	**$ 20,413**	**$ 2,384**
Commercial non-owner occupied	**14,770**	**10,675**	**1,062**	**11,737**	**438**
Commercial owner occupied	**17,140**	**9,784**	**4,794**	**14,578**	**439**
Consumer real estate:					
Consumer owner occupied	**3,423**	**947**	**2,012**	**2,959**	**278**
Home equity loans					
Commercial and industrial	**4,912**	**4,723**		**4,723**	
Other income producing property	**3,270**	**2,357**	**637**	**2,994**	**188**
Consumer					
Other loans					
Total impaired loans	**$ 75,210**	**$ 40,325**	**$ 17,079**	**$ 57,404**	**$ 3,727**
December 31, 2010					
Commercial real estate:					
Construction and land development	$ 29,656	$ 13,362	$ 9,719	$ 23,081	$ 1,718
Commercial non-owner occupied	12,902	5,824	5,124	10,948	1,444
Commercial owner occupied	11,279	5,353	5,394	10,747	830
Consumer real estate:					
Consumer owner occupied	1,725		1,540	1,540	80
Home equity loans					
Commercial and industrial	1,145		1,144	1,144	36
Other income producing property	4,402	2,246	907	3,153	28
Consumer					
Other loans					
Total impaired loans					