SCBT FINANCIAL CORP
Form 10-Q
May 10, 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 March 31, 2011**

**OR**

**o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from to**

**Commission file number 001-12669**

# SCBT FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

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

**(800) 277-2175**

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.

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

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

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

| Class | Outstanding as of April 30, 2011 |
|---|---|
| Common Stock, $2.50 par value | 13,972,145 |

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**SCBT Financial Corporation and Subsidiary**

**March 31, 2011 Form 10-Q**

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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)*

| | March 31, 2011 (Unaudited) | December 31, 2010 (Note 1) | March 31, 2010 (Unaudited) |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents: | | | |
| Cash and due from banks | **$ 129,293** | $ 83,449 | $ 60,675 |
| Interest-bearing deposits with banks | **1,325** | 416 | 171 |
| Federal funds sold and securities purchased under agreements to resell | **282,006** | 153,234 | 177,251 |
| Total cash and cash equivalents | **412,624** | 237,099 | 238,097 |
| Investment securities: | | | |
| Securities held to maturity (fair value of $20,189, $20,150 and $21,062, respectively) | **19,730** | 19,941 | 20,403 |
| Securities available for sale, at fair value | **189,654** | 197,374 | 268,372 |
| Other investments | **23,823** | 20,597 | 22,181 |
| Total investment securities | **233,207** | 237,912 | 310,956 |
| Loans held for sale | **10,755** | 42,704 | 15,925 |
| Loans: | | | |
| Covered under FDIC loss share agreements | **417,796** | 321,038 | 438,807 |
| Not covered under FDIC loss share agreements | **2,348,309** | 2,296,200 | 2,175,242 |
| Less allowance for loan losses | **(73,997)** | (47,512) | (41,397) |
| Loans, net | **2,692,108** | 2,569,726 | 2,572,652 |
| FDIC receivable for loss share agreements | **303,795** | 212,103 | 277,158 |
| Other real estate owned (covered of $77,286, $69,317, and $32,076, respectively; and non-covered of $19,816, $17,264, and $9,319, respectively) | **97,102** | 86,581 | 41,395 |
| Premises and equipment, net | **87,326** | 87,381 | 72,079 |
| Goodwill | **62,888** | 62,888 | 62,888 |
| Other assets | **63,061** | 58,397 | 74,034 |
| Total assets | **$ 3,962,866** | $ 3,594,791 | $ 3,665,184 |
| | | | |
| **LIABILITIES AND SHAREHOLDERS EQUITY** | | | |
| Deposits: | | | |
| Noninterest-bearing | **$ 606,135** | $ 484,838 | $ 457,412 |
| Interest-bearing | **2,713,415** | 2,519,310 | 2,537,702 |
| Total deposits | **3,319,550** | 3,004,148 | 2,995,114 |
| Federal funds purchased and securities sold under agreements to repurchase | **206,560** | 191,017 | 237,669 |
| Other borrowings | **46,587** | 46,978 | 62,929 |
| Other liabilities | **24,119** | 22,691 | 34,706 |
| Total liabilities | **3,596,816** | 3,264,834 | 3,330,418 |
| Shareholders equity: | | | |

| | | | |
|---|---|---|---|
| Preferred stock - $.01 par value; authorized 10,000,000 shares; no shares issued and outstanding | | | |
| Common stock - $2.50 par value; authorized 40,000,000 shares; 13,958,824, 12,793,823 and 12,750,774 shares issued and outstanding | **34,897** | 31,985 | 31,877 |
| Surplus | **230,826** | 198,647 | 196,793 |
| Retained earnings | **103,262** | 103,117 | 106,713 |
| Accumulated other comprehensive loss | **(2,935)** | (3,792) | (617) |
| Total shareholders equity | **366,050** | 329,957 | 334,766 |
| Total liabilities and shareholders equity | **$ 3,962,866** | $ 3,594,791 | $ 3,665,184 |

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 March 31, 2011 | 2010 |
|---|---|---|
| **Interest income:** | | |
| Loans, including fees | **$ 36,828** | $ 34,173 |
| Investment securities: | | |
| Taxable | **1,858** | 2,514 |
| Tax-exempt | **216** | 265 |
| Federal funds sold and securities purchased under agreements to resell | **353** | 252 |
| Total interest income | **39,255** | 37,204 |
| **Interest expense:** | | |
| Deposits | **5,717** | 7,055 |
| Federal funds purchased and securities sold under agreements to repurchase | **160** | 165 |
| Other borrowings | **532** | 1,353 |
| Total interest expense | **6,409** | 8,573 |
| Net interest income | **32,846** | 28,631 |
| Provision for loan losses | **10,641** | 20,778 |
| Net interest income after provision for loan losses | **22,205** | 7,853 |
| **Noninterest income:** | | |
| Gain on acquisition | **5,528** | 98,081 |
| Service charges on deposit accounts | **5,030** | 4,523 |
| Bankcard services income | **2,659** | 1,799 |
| Trust and investment services income | **1,249** | 784 |
| Mortgage banking income | **863** | 844 |
| Securities gains | **323** | |
| Total other-than-temporary impairment losses | | (5,586) |
| Portion of impairment losses recognized in other comprehensive loss | | |
| Net impairment losses recognized in earnings | | (5,586) |
| Accretion (amortization) of FDIC indemnification asset | **(401)** | 369 |
| Other | **622** | 807 |
| Total noninterest income | **15,873** | 101,621 |
| **Noninterest expense:** | | |
| Salaries and employee benefits | **16,646** | 13,753 |
| Net occupancy expense | **2,576** | 2,373 |
| OREO expense and loan related | **2,533** | (270) |
| Information services expense | **2,341** | 2,371 |
| Furniture and equipment expense | **1,957** | 1,636 |
| FDIC assessment and other regulatory charges | **1,479** | 1,323 |
| Advertising and marketing | **909** | 587 |
| Amortization of intangibles | **446** | 349 |
| Professional fees | **433** | 557 |
| Federal Home Loan Bank advances prepayment fee | | 3,189 |
| Merger-related expense | **609** | 3,908 |
| Other | **4,295** | 2,804 |
| Total noninterest expense | **34,224** | 32,580 |
| **Earnings:** | | |
| Income before provision for income taxes | **3,854** | 76,894 |
| Provision for income taxes | **1,338** | 27,933 |

| | | | | |
|---|---|---|---|---|
| **Net income** | | **2,516** | | 48,961 |
| **Earnings per common share:** | | | | |
| Basic | **$** | **0.19** | $ | 3.89 |
| Diluted | **$** | **0.19** | $ | 3.86 |
| Dividends per common share | **$** | **0.17** | $ | 0.17 |
| **Weighted-average common shares outstanding:** | | | | |
| Basic | | **13,185** | | 12,591 |
| Diluted | | **13,273** | | 12,696 |

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)**

**Three Months Ended March 31, 2011 and 2010**

*(Dollars in thousands, except per share data)*

| | Preferred Stock Shares | Preferred Stock Amount | Common Stock Shares | Common Stock Amount | Surplus | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Total |
|---|---|---|---|---|---|---|---|---|
| Balance, December 31, 2009 | | $ | 12,739,533 | $ 31,849 | $ 196,437 | $ 59,915 | $ (5,382) | $ 282,819 |
| Comprehensive income: | | | | | | | | |
| Net income | | | | | | 48,961 | | 48,961 |
| Change in net unrealized gain on securities available for sale, net of tax | | | | | | | 4,892 | 4,892 |
| Change in unrealized losses on derivative financial instruments qualifying as cash flow hedges, net of tax | | | | | | | (127) | (127) |
| Total comprehensive income | | | | | | | | 53,726 |
| Cash dividends declared at $.17 per share | | | | | | (2,163) | | (2,163) |
| Stock options exercised | | | 1,740 | 4 | 44 | | | 48 |
| Restricted stock awards | | | 11,171 | 28 | (28) | | | |
| Common stock repurchased | | | (1,670) | (4) | (42) | | | (46) |
| Share-based compensation expense | | | | | 382 | | | 382 |
| Balance, March 31, 2010 | | $ | 12,750,774 | $ 31,877 | $ 196,793 | $ 106,713 | $ (617) | $ 334,766 |
| | | | | | | | | |
| Balance, December 31, 2010 | | $ | 12,793,823 | $ 31,985 | $ 198,647 | $ 103,117 | $ (3,792) | $ 329,957 |
| Comprehensive income: | | | | | | | | |
| Net income | | | | | | 2,516 | | 2,516 |
| Change in net unrealized gain on securities available for sale, net of tax | | | | | | | 777 | 777 |
| Change in unrealized losses on derivative financial instruments qualifying as cash flow hedges, net of tax | | | | | | | 80 | 80 |
| Total comprehensive income | | | | | | | | 3,373 |
| Cash dividends declared at $.17 per share | | | | | | (2,371) | | (2,371) |
| Stock options exercised | | | 3,050 | 8 | 62 | | | 70 |
| Restricted stock awards | | | 37,106 | 92 | (92) | | | |
| Common stock repurchased | | | (4,187) | (10) | (127) | | | (137) |
| Share-based compensation expense | | | | | 474 | | | 474 |
| Common stock issued in private placement offering | | | 1,129,032 | 2,822 | 31,862 | | | 34,684 |
| Balance, March 31, 2011 | | $ | 13,958,824 | $ 34,897 | $ 230,826 | $ 103,262 | $ (2,935) | $ 366,050 |

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)*

| | Three Months Ended March 31, 2011 | 2010 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net income | $ **2,516** | $ 48,961 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | **2,481** | 1,887 |
| Provision for loan losses | **10,641** | 20,778 |
| Deferred income taxes | **937** | 31,096 |
| Other-than-temporary impairment on securities | | 5,586 |
| Gain on sale of securities | **(323)** | |
| Gain on acquisition | **(5,528)** | (98,081) |
| Share-based compensation expense | **474** | 382 |
| Loss on disposal of premises and equipment | **31** | 42 |
| Federal Home Loan Bank advances prepayment fee | | 3,189 |
| (Accretion) amortization of FDIC indemnification asset | **401** | (369) |
| Accretion on loans covered under FDIC loss share agreements | **1,604** | 1,029 |
| Net amortization of investment securities | **398** | 171 |
| Net change in: | | |
| Loans held for sale | **31,949** | 1,639 |
| Accrued interest receivable | **726** | 121 |
| Prepaid assets | **844** | 467 |
| FDIC loss share receivable | **(4,675)** | |
| Accrued interest payable | **(1,848)** | (3,028) |
| Accrued income taxes | **374** | (4,904) |
| Miscellaneous assets and liabilities | **3,225** | (11,577) |
| Net cash provided by (used in) operating activities | **44,227** | (2,611) |
| Cash flows from investing activities: | | |
| Proceeds from sales of investment securities available for sale | **52,092** | |
| Proceeds from maturities and calls of investment securities held to maturity | **210** | 1,135 |
| Proceeds from maturities and calls of investment securities available for sale | **18,859** | 14,828 |
| Purchases of investment securities available for sale | **(3,743)** | (8,315) |
| Purchases of other investment securities | **(630)** | |
| Net (increase) decrease in customer loans | **(7,174)** | 31,784 |
| Net cash received from acquisition | **91,280** | 306,298 |
| Purchases of premises and equipment | **(1,969)** | (1,711) |
| Net cash provided by investing activities | **148,925** | 344,019 |
| Cash flows from financing activities: | | |
| Net decrease in deposits | **(25,247)** | (118,031) |
| Net increase in federal funds purchased and securities sold under agreements to repurchase and other short-term borrowings | **13,712** | 74,809 |
| Repayment of FHLB advances | **(38,338)** | (162,836) |
| Common stock issuance | **34,684** | |
| Common stock repurchased | **(137)** | (46) |
| Dividends paid on common stock | **(2,371)** | (2,163) |
| Stock options exercised | **70** | 48 |
| Net cash used in financing activities | **(17,627)** | (208,219) |
| Net increase in cash and cash equivalents | **175,525** | 133,189 |

| | | | | |
|---|---|---|---|---|
| Cash and cash equivalents at beginning of period | | **237,099** | | 104,908 |
| Cash and cash equivalents at end of period | **$** | **412,624** | $ | 238,097 |
| | | | | |
| **Supplemental Disclosures:** | | | | |
| Cash paid for: | | | | |
| Interest | **$** | **7,281** | $ | 11,601 |
| Income taxes | **$** | | $ | 4,871 |

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 three months ended March 31, 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 purchase 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 flow. In accordance with FASB ASC Topic 310-30, the Company aggregated loans that have common risk characteristics into pools within the following loan categories: commercial loans greater than or equal to $1 million, commercial real estate, commercial real estate construction and development, residential real estate, residential real estate junior lien, home equity, consumer, commercial and industrial, and single pay.

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

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**Note 2 Summary of Significant Accounting Policies (continued)**

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

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

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 Pronouncements**

The enactment of the *Dodd-Frank Wall Street Reform and Consumer Protection Act* (the Dodd-Frank Act ) will result in expansive changes in many areas affecting the financial services industry in general and the Company in particular. The legislation provides broad economic oversight, consumer financial services protection, investor protection, rating agency reform and derivative regulatory reform. Various corporate governance requirements will result in expanded proxy disclosures and shareholder rights. Additional provisions address the mortgage industry in an effort to strengthen lending practices. Deposit insurance reform will result in permanent FDIC protection for up to $250,000 of deposits and will require the FDIC s Deposit Insurance Fund to maintain 1.35 percent of insured deposits with the burden for closing any shortfall falling to banks with more than $10.0 billion in assets. Provisions within the Dodd-Frank Act will prohibit institutions that had more than $15 billion in assets on December 31, 2009 from including trust preferred securities ( TRUPs ) as Tier 1 capital beginning in 2013. One third will be phased out over the next two years ending in 2015. Financial institutions with less than $15 billion in total assets, such as the Company, may continue to count their pre-May 19, 2010, TRUPs as Tier 1 capital, but may not issue new capital TRUPs. Another provision of the legislation gives the Federal Reserve Board the authority to establish rules regarding interchange fees charged for electronic debit transactions by payment card issuers having assets over $10.0 billion and to enforce a new statutory requirement that such fees be reasonable and proportional to the actual cost of a transaction to the issuer. While SCBT would not be subject to the interchange fee restrictions, this provision could negatively impact non-interest income if the reductions that are required of larger banks cause industry-wide reductions of interchange fees.

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. Most of the new and amended disclosures in the ASU are effective December 31, 2010, and are included in Note 5 Loans and Allowance for Loan Losses. The disclosure for the activity in the allowance for credit losses for each period will be 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 delay the effective date of the disclosures about troubled debt restructurings in ASU 2010-20 for public entities. The impact of adoption for SCBT is the inclusion of additional disclosures in SCBT s consolidated financial statements.

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**Note 4 Mergers and Acquisitions**

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

*Habersham Bank Acquisition*

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

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

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 has the option to purchase the real estate and furniture and equipment from the FDIC. The term of this option expires approximately 90 days from the date of the acquisition.

As of March 31, 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 will significantly impact the effects of the acquired entity on the ongoing operations of the Company. Disclosure of pro forma financial information is also made more difficult by the troubled nature of Habersham prior to the date of the combination. The Company has omitted pro forma information related to the Habersham acquisition because of the pervasive federal assistance in the transaction.

As of March 31, 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 $609,000 in merger-related expense during the three months ended March 31, 2011.

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**Note 4 Mergers and Acquisitions (continued)**

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

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

Explanation of fair value adjustments

Adjustment reflects:

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

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

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

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

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

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

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

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**Note 4 Mergers and Acquisitions (continued)**

*Community Bank and Trust Acquisition*

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

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

The Bank did not immediately acquire the real estate, banking facilities, furniture or equipment of CBT as a part of the P&A agreement. However, the Bank had the option to purchase the real estate, furniture and equipment from the FDIC. The term of this option expired on April 29, 2010. On April 28, 2010, the Bank notified the FDIC that it planned to acquire seven bank facilities with an appraised value of approximately $10.9 million. In addition, the Bank notified the FDIC that it plans to purchase approximately $700,000 of furniture or equipment related to 27 locations being retained by the Bank. On October 27, 2010, the Bank settled the purchase of the assets above and settled other items that related to the January 29, 2010 acquisition, with a net payment to the FDIC of $3.9 million. There was no income statement or equity impact of this settlement on the financial statements of the Bank. These 27 banking facilities include both leased and owned locations. 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 have been 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. Disclosure of pro forma financial information is also made more difficult by the troubled nature of CBT prior to the date of the combination. The Company has omitted pro forma information related to the CBT acquisition because of the pervasive federal assistance in the transaction.

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

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**Note 4 Mergers and Acquisitions (continued)**

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

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

Explanation of fair value adjustments

Adjustment reflects:

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

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

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

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

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

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

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

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

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**Note 5 Investment Securities**

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

| (Dollars in thousands) | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---|---|---|---|---|
| **March 31, 2011:** | | | | |
| State and municipal obligations | **$ 19,730** | **$ 459** | **$** | **$ 20,189** |
| **December 31, 2010:** | | | | |
| State and municipal obligations | $ 19,941 | $ 227 | $ (18) | $ 20,150 |
| **March 31, 2010:** | | | | |
| State and municipal obligations | $ 20,403 | $ 669 | $ (10) | $ 21,062 |

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 |
|---|---|---|---|---|
| **March 31, 2011:** | | | | |
| Government-sponsored enterprises debt * | **$ 56,987** | **$ 646** | **$ (115)** | **$ 57,518** |
| State and municipal obligations | **38,688** | **1,139** | **(261)** | **39,566** |
| Mortgage-backed securities ** | **90,186** | **2,038** | **(235)** | **91,989** |
| Equity securities | **443** | **138** | | **581** |
| | **$ 186,304** | **$ 3,961** | **$ (611)** | **$ 189,654** |
| **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 |
| Equity securities | 256 | 106 | | 362 |
| | $ 195,228 | $ 3,382 | $ (1,236) | $ 197,374 |
| **March 31, 2010:** | | | | |
| Government-sponsored enterprises debt * | $ 119,575 | $ 626 | $ (182) | $ 120,019 |
| State and municipal obligations | 40,505 | 1,414 | (363) | 41,556 |
| Mortgage-backed securities ** | 95,575 | 4,538 | (8) | 100,105 |
| Trust preferred (collateralized debt obligations) | 6,576 | | (280) | 6,296 |
| Equity securities | 285 | 114 | (3) | 396 |
| | $ 262,516 | $ 6,692 | $ (836) | $ 268,372 |

* - 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 |
|---|---|---|---|---|
| **March 31, 2011:** | | | | |
| Federal Reserve Bank stock | **$ 6,617** | **$** | **$** | **$ 6,617** |
| Federal Home Loan Bank stock | **15,874** | | | **15,874** |
| Investment in unconsolidated subsidiaries | **1,332** | | | **1,332** |
| | **$ 23,823** | **$** | **$** | **$ 23,823** |
| **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 |
| | | | | |
| **March 31, 2010:** | | | | |
| Federal Reserve Bank stock | $ 5,987 | $ | $ | $ 5,987 |
| Federal Home Loan Bank stock | 14,862 | | | 14,862 |
| Investment in unconsolidated subsidiaries | 1,332 | | | 1,332 |
| | $ 22,181 | $ | $ | $ 22,181 |

The Company has determined that the investment in Federal Reserve Bank stock and FHLB stock is not other than temporarily impaired as of March 31, 2011 and ultimate recoverability of the par value of these investments is probable. See Other Investments under Item 2 Management s Discussion and Analysis of Financial Condition and Results of Operations.

The amortized cost and fair value of debt securities at March 31, 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 | $ 130 | $ 131 | $ | $ |
| Due after one year through five years | 260 | 262 | 6,389 | 6,475 |
| Due after five years through ten years | 6,680 | 6,849 | 43,174 | 43,535 |
| Due after ten years | 12,660 | 12,947 | 136,741 | 139,644 |
| | $ 19,730 | $ 20,189 | $ 186,304 | $ 189,654 |

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**Note 5 Investment Securities (continued)**

Information pertaining to the Company s securities available for sale with gross unrealized losses at March 31, 2011, December 31, 2010 and March 31, 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 |
| **March 31, 2011:** | | | | |
| **Securities Held to Maturity** | | | | |
| State and municipal obligations | $ | $ | $ | $ |
| | | | | |
| **Securities Available for Sale** | | | | |
| Government-sponsored enterprises debt | **$ 115** | **$ 16,750** | **$** | **$** |
| State and municipal obligations | **113** | **4,535** | **148** | **1,398** |
| Mortgage-backed securities | **235** | **23,333** | | |
| Equity securities | | | | |
| | **$ 463** | **$ 44,618** | **$ 148** | **$ 1,398** |
| | | | | |
| **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 |
| | | | | |
| **March 31, 2010:** | | | | |
| **Securities Held to Maturity** | | | | |
| State and municipal obligations | $ | $ | $ 10 | $ 812 |
| | | | | |
| **Securities Available for Sale** | | | | |
| Government-sponsored enterprises debt | $ 182 | $ 12,272 | $ | $ |
| State and municipal obligations | 84 | 2,534 | 279 | 4,363 |
| Mortgage-backed securities | 8 | 3,162 | | |
| Trust preferred (collateralized debt obligations) | | | 280 | 2,361 |
| Equity securities | 3 | 166 | | |
| | $ 277 | $ 18,134 | $ 559 | $ 6,724 |

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**Note 6 Loans and Allowance for Loan Losses**

The following is a summary of non-acquired loans:

| (Dollars in thousands) | March 31, 2011 | December 31, 2010 | March 31, 2010 |
|---|---|---|---|
| Non-acquired loans: | | | |
| Commercial non-owner occupied real estate: | | | |
| Construction and land development | $ **403,149** | 422,041 | $ 442,566 |
| Commercial non-owner occupied | **318,597** | 306,381 | 294,147 |
| Total commercial non-owner occupied real estate | **721,746** | 728,422 | 736,713 |
| Consumer real estate: | | | |
| Consumer owner occupied | **334,849** | 322,637 | 287,788 |
| Home equity loans | **263,331** | 263,994 | 250,651 |
| Total consumer real estate | **598,180** | 586,631 | 538,439 |
| Commercial owner occupied real estate | **593,363** | 565,155 | 483,450 |
| Commercial and industrial | **206,348** | 202,987 | 203,296 |
| Other income producing property | **131,909** | 124,431 | 133,949 |
| Consumer | **73,464** | 67,768 | 66,259 |
| Other loans | **23,299** | 20,806 | 13,136 |
| Total loans | **2,348,309** | 2,296,200 | 2,175,242 |
| Less, allowance for loan losses | **(48,164)** | (47,512) | (41,397) |
| Non-acquired loans, net | $ **2,300,145** | $ 2,248,688 | $ 2,133,845 |

As permitted by FASB ASC Topic 310-30, the Company aggregated loans covered under loss share agreements 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.

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**Note 6 Loans and Allowance for Loan Losses (continued)**

The Company s loans covered under loss share agreements portfolio is comprised of the following balances net of related discount:

| (Dollars in thousands) | March 31, 2011<br>Loans Impaired at Acquisition | Loans Not Impaired at Acquisition | Total |
|---|---|---|---|
| Loans covered under loss share agreements: | | | |
| Commercial loans greater than or equal to $1 million | $ 34,658 | $ 45,697 | $ 80,355 |
| Commercial real estate | 29,438 | 61,256 | 90,694 |
| Commercial real estate construction and development | 38,453 | 23,044 | 61,497 |
| Residential real estate | 54,876 | 67,691 | 122,567 |
| Residential real estate junior lien | 1,832 | 1,318 | 3,150 |
| Home equity | 285 | 697 | 982 |
| Consumer | 9,696 | 3,504 | 13,200 |
| Commercial and industrial | 13,287 | 21,114 | 34,401 |
| Single pay | 10,588 | 362 | 10,950 |
| Total loans covered under loss share agreements | $ 193,113 | $ 224,683 | $ 417,796 |
| Less, allowance for loan losses | (25,833) | | (25,833) |
| Loans covered under loss share agreements, net | $ 167,280 | $ 224,683 | $ 391,963 |

| (Dollars in thousands) | December 31, 2010<br>Loans Impaired at Acquisition | Loans Not Impaired at Acquisition | Total |
|---|---|---|---|
| Loans covered under loss share agreements: | | | |
| 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 loans covered under loss share agreements | $ 143,059 | $ 177,979 | $ 321,038 |

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**Note 6 Loans and Allowance for Loan Losses (continued)**

| (Dollars in thousands) | March 31, 2010<br>Loans Impaired at Acquisition | Loans Not Impaired at Acquisition | Total |
|---|---|---|---|
| Loans covered under loss share agreements: | | | |
| Commercial loans greater than or equal to $1 million | $ 49,937 | $ 56,863 | $ 106,800 |
| Commercial real estate | 30,328 | 52,183 | 82,511 |
| Commercial real estate construction and development | 32,770 | 21,157 | 53,927 |
| Residential real estate | 65,992 | 51,658 | 117,650 |
| Residential real estate junior lien | 2,293 | 2,350 | 4,643 |
| Home equity | 587 | 1,193 | 1,780 |
| Consumer | 11,349 | 9,228 | 20,577 |
| Commercial and industrial | 13,599 | 18,797 | 32,396 |
| Single pay | 17,416 | 1,107 | 18,523 |
| Total loans covered under loss share agreements | $ 224,271 | $ 214,536 | $ 438,807 |

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

| [redacted] | | | |
|---|---|---|---|
| Contractual principal and interest | $ 132,386 | $ 135,500 | $ 267,886 |
| [redacted] | | | |
| Cash flows expected to be collected | 63,390 | 92,178 | 155,568 |
| [redacted] | | | |
| Carrying value | $ 54,643 | $ 72,810 | $ 127,453 |

Contractual loan payments receivable, estimates of amounts not expected to be collected, other fair value adjustments and the resulting fair values of loans covered under loss share agreement impaired and non-impaired at the acquisition date for CBT (January 29, 2010 refined) are as follows:

| (Dollars in thousands) | Loans Impaired at Acquisition | Loans Not Impaired at Acquisition | Total |
|---|---|---|---|
| Contractual principal and interest | $ 450,691 | $ 350,309 | $ 801,000 |
| Non-accretable difference | (210,024) | (102,274) | (312,298) |
| Cash flows expected to be collected | 240,667 | 248,035 | 488,702 |
| Accretable yield | (7,431) | (21,806) | (29,237) |

| | | | |
|---|---|---|---|
| Carrying value | $ 233,236 | $ 226,229 | $ 459,465 |

During 2010, the Company refined certain assumptions and loan pools which resulted in changes in the line items of the table above. The changes did not result in a change in the carrying value initially recorded.

Contractual loan payments receivable, estimates of amounts not expected to be collected, other fair value adjustments and the resulting fair values of loans covered under loss share agreements impaired and non-impaired as of March 31, 2011, December 31, 2010, and March 31, 2010 - refined are as follows:

| | March 31, 2011 | | |
|---|---|---|---|
| **(Dollars in thousands)** | **Loans Impaired at Acquisition** | **Loans Not Impaired at Acquisition** | **Total** |
| Contractual principal and interest | $ 379,900 | $ 396,321 | $ 776,221 |
| Non-accretable difference | (189,618) | (101,067) | (290,685) |
| Cash flows expected to be collected | 190,282 | 295,254 | 485,536 |
| Accretable yield | (23,002) | (70,571) | (93,573) |
| Carrying value | $ 167,280 | $ 224,683 | $ 391,963 |

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**Note 6 Loans and Allowance for Loan Losses (continued)**

| (Dollars in thousands) | | Loans Impaired at Acquisition | | December 31, 2010<br>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 |

| | | Loans Impaired | | March 31, 2010<br>Loans Not Impaired | | |
|---|---|---|---|---|---|---|
| [redacted] | | | | | | |
| Contractual principal and interest | $ | 437,578 | $ | 336,371 | $ | 773,949 |
| Non-accretable difference | | (206,753) | | (102,275) | | (309,028) |
| Cash flows expected to be collected | | 230,825 | | 234,096 | | 464,921 |
| Accretable yield | | (6,554) | | (19,560) | | (26,114) |
| Carrying value | $ | 224,271 | $ | 214,536 | $ | 438,807 |

Income on loans covered under loss share agreement 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 $673.7 million at March 31, 2011, $519.2 million at December 31, 2010 and $750.8 million at March 31, 2010.

The following are changes in the carrying value of loans covered under loss share agreements at the acquisition date during the periods ended March 31, 2011 and 2010:

| (Dollars in thousands) | | Loans Impaired at Acquisition | | Loans Not Impaired at Acquisition | | Total |
|---|---|---|---|---|---|---|
| Balance, December 31, 2010 | $ | 143,059 | $ | 177,979 | $ | 321,038 |
| Fair value of acquired loans | | 54,643 | | 72,810 | | 127,453 |
| Reductions for payments and foreclosures | | (30,422) | | (26,106) | | (56,528) |
| Balance, March 31, 2011 | $ | 167,280 | $ | 224,683 | $ | 391,963 |
| | | | | | | |
| Balance, December 31, 2009 | $ | | $ | | $ | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Fair value of acquired loans | | 233,236 | | 226,229 | | 459,465 |
| Reductions for payments and foreclosures | | (8,965) | | (11,693) | | (20,658) |
| Balance, March 31, 2010 | $ | 224,271 | $ | 214,536 | $ | 438,807 |

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**Note 6 Loans and Allowance for Loan Losses (continued)**

The following are changes in the carrying amount of accretable yield for purchased impaired and non-impaired loans for the period ended March 31, 2011:

**(Dollars in thousands)**

| | | |
|---|---|---|
| Beginning balance December 31, 2010 | $ | 44,684 |
| Additions from Habersham acquisition | | 28,115 |
| Interest income | | (7,127) |
| Improved cash flows affecting nonaccretable difference | | 36,200 |
| Other changes, net | | (8,299) |
| Ending balance, March 31, 2011 | $ | 93,573 |

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

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

The allowance consists of general and specific reserves. The general reserves are determined by applying loss percentages to the portfolio that are based on historical loss experience 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. 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 either doubtful, substandard or special mention. For such loans that are also classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. Generally, the need for a specific reserve is evaluated on impaired loans greater than $250,000 of all non-homogenous commercial loans. Loans for which specific reserves are provided 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 1 Summary of Significant Accounting Policies, Note 4 Mergers and Acquisitions and Note 6 Loans and Allowance for Loan Losses to the consolidated financial statements.)

An aggregated analysis of the changes in allowance for loan losses for the three months ended March 31, 2011 and 2010 is as follows:

| **(Dollars in thousands)** | **Non-acquired Loans** | **Acquired Loans** | **Total** |
|---|---|---|---|
| **March 31, 2011:** | | | |
| **Balance at beginning of period** | **$ 47,512** | $ | **$ 47,512** |
| **Loans charged-off** | **(9,322)** | | **(9,322)** |
| **Recoveries of loans previously charged off** | **625** | | **625** |
| **Net charge-offs** | **(8,697)** | | **(8,697)** |
| **Provision for loan losses** | **9,349** | **25,833** | **35,182** |
| **Benefit attributable to FDIC loss share agreements** | | **(24,541)** | **(24,541)** |
| **Total provision for loan losses charged to operations** | **9,349** | **1,292** | **10,641** |
| **Provision for loan losses recorded through the FDIC loss share receivable** | | **24,541** | **24,541** |
| **Balance at end of period** | **$ 48,164** | **$ 25,833** | **$ 73,997** |
| | | | |
| **March 31, 2010:** | | | |
| Balance at beginning of period | $ 37,488 | $ | $ 37,488 |
| Loans charged-off | (17,370) | | (17,370) |
| Recoveries of loans previously charged off | 501 | | 501 |
| Net charge-offs | (16,869) | | (16,869) |
| Provision for loan losses | 20,778 | | 20,778 |
| Balance at end of period | $ 41,397 | $ | $ 41,397 |

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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 periods ended March 31, 2011, December 31, 2010, and March 31, 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 |
|---|---|---|---|---|---|---|---|---|---|---|
| **March 31, 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 | (4,538) | (1,236) | (729) | (1,314) | (511) | (229) | (499) | (105) | (161) | (9,322) |
| Recoveries | 90 | 20 | 1 | 34 | 58 | 79 | 134 | 40 | 169 | 625 |
| Provision | 4,336 | 1,105 | 890 | 1,408 | 506 | 232 | 718 | 142 | 12 | 9,349 |
| Balance, March 31, 2011 | $ 14,130 | $ 6,317 | $ 7,976 | $ 6,188 | $ 4,477 | $ 4,395 | $ 3,187 | $ 1,268 | $ 226 | $ 48,164 |
| | | | | | | | | | | |
| Loans individually evaluated for impairment | $ 594 | $ 866 | $ 446 | $ 21 | $ | $ | $ 163 | $ | $ | $ 2,090 |
| Loans collectively evaluated for impairment | $ 13,536 | $ 5,451 | $ 7,530 | $ 6,167 | $ 4,477 | $ 4,395 | $ 3,024 | $ 1,268 | $ 226 | $ 46,074 |
| | | | | | | | | | | |
| **Loans:** | | | | | | | | | | |
| Loans individually evaluated for impairment | $ 23,107 | $ 11,882 | $ 10,314 | $ 1,997 | $ | $ 1,117 | $ 1,239 | $ | $ | $ 49,656 |
| Loans collectively evaluated for impairment | 380,042 | 306,715 | 583,049 | 332,852 | 263,331 | 205,231 | 130,670 | 73,464 | 23,299 | 2,298,653 |
| | | | | | | | | | | |
| Total non-acquired loans | $ 403,149 | $ 318,597 | $ 593,363 | $ 334,849 | $ 263,331 | $ 206,348 | $ 131,909 | $ 73,464 | $ 23,299 | $ 2,348,309 |

| (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 |
|---|---|---|---|---|---|---|---|---|---|---|
| **December 31, 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 | (19,150) | (3,011) | (2,625) | (7,285) | (2,490) | (9,138) | (338) | (2,780) | | (46,817) |
| Recoveries | 785 | 29 | 126 | 149 | 45 | 713 | 6 | 706 | | 2,559 |
| Provision | 23,438 | 3,618 | 4,335 | 8,561 | 3,118 | 8,408 | 791 | 2,007 | 6 | 54,282 |
| Balance, December 31, 2010 | $ 14,242 | $ 6,428 | $ 7,814 | $ 6,060 | $ 4,424 | $ 4,313 | $ 2,834 | $ 1,191 | $ 206 | $ 47,512 |
| | | | | | | | | | | |
| Loans individually evaluated for impairment | $ 1,718 | $ 1,444 | $ 830 | $ 80 | $ | $ 36 | $ 28 | $ | $ | $ 4,136 |
| Loans collectively evaluated for impairment | $ 12,524 | $ 4,984 | $ 6,984 | $ 5,980 | $ 4,424 | $ 4,277 | $ 2,806 | $ 1,191 | $ 206 | $ 43,376 |
| | | | | | | | | | | |
| **Loans:** | | | | | | | | | | |
| Loans individually evaluated for impairment | $ 23,081 | $ 10,948 | $ 10,747 | $ 1,540 | $ | $ 1,144 | $ 3,153 | $ | $ | $ 50,613 |
| | 398,960 | 295,433 | 554,408 | 321,097 | 263,994 | 201,843 | 121,278 | 67,768 | 20,806 | 2,245,587 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Loans collectively evaluated for impairment | | | | | | | | | |
| Total non-acquired loans | $ 422,041 | $ 306,381 | $ 565,155 | $ 322,637 | $ 263,994 | $ 202,987 | $ 124,431 | $ 67,768 | $ 20,806 | $ 2,296,200 |

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**Note 6 Loans and Allowance for Loan Losses (continued)**

| (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 |
|---|---|---|---|---|---|---|---|---|---|---|
| **March 31, 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 | (5,662) | (577) | (975) | (1,759) | (1,004) | (6,435) | (516) | (442) | | (17,370) |
| Recoveries | 207 | 3 | 1 | 5 | 4 | 89 | | 192 | | 501 |
| Provision | 7,130 | 784 | 1,997 | 2,432 | 1,553 | 5,907 | 563 | 279 | 133 | 20,778 |
| Balance, March 31, 2010 | $ 10,844 | $ 6,002 | $ 7,001 | $ 5,313 | $ 4,304 | $ 3,891 | $ 2,422 | $ 1,287 | $ 333 | $ 41,397 |
| Loans individually evaluated for impairment | $ 1,684 | $ 1,196 | $ 204 | $ | $ | $ | $ 185 | $ | $ | $ 3,269 |
| Loans collectively evaluated for impairment | $ 9,160 | $ 4,806 | $ 6,797 | $ 5,313 | $ 4,304 | $ 3,891 | $ 2,237 | $ 1,287 | $ 333 | $ 38,128 |
| **Loans:** | | | | | | | | | | |
| Loans individually evaluated for impairment | $ 17,321 | $ 5,879 | $ 4,807 | $ | $ | $ 2,565 | $ 2,037 | $ | $ | $ 32,609 |
| Loans collectively evaluated for impairment | 425,245 | 288,268 | 478,643 | 287,788 | 250,651 | 200,731 | 131,912 | 66,259 | 13,136 | 2,142,633 |
| Total non-acquired loans | $ 442,566 | $ 294,147 | $ 483,450 | $ 287,788 | $ 250,651 | $ 203,296 | $ 133,949 | $ 66,259 | $ 13,136 | $ 2,175,242 |

The following tables present a disaggregated analysis of activity in the allowance for loan losses and loan balances for acquired loans for the period ended March 31, 2011. As of December 31, 2010 and March 31, 2010, no provision had been made for loans covered under loss share agreements.

| (Dollars in thousands) | Commercial Loans Greater Than or Equal to $1 Million | Commercial Real Estate | Commerical Real Estate-Construction and Development | Residential Real Estate | Residential Real Estate-Junior Lien | Home Equity | Consumer | Commercial and Industrial | Single Pay | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **2011** | | | | | | | | | | |
| **Allowance for loan losses:** | | | | | | | | | | |
| Balance, December 31, 2010 | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| Charge-offs | | | | | | | | | | |
| Recoveries | | | | | | | | | | |
| Provision for loan losses before benefit attibutable to FDIC loss share agreements | 19,084 | | | | 462 | | | 1,234 | 5,053 | 25,833 |
| Benefit attributable to FDIC loss share agreements | (18,130) | | | | (439) | | | (1,172) | (4,800) | (24,541) |
| Total provision for loan losses charged to operations | 954 | | | | 23 | | | 62 | 253 | 1,292 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Provision for loan losses recorded through the FDIC loss share receivable | 18,130 | | | | 439 | | | 1,172 | 4,800 | 24,541 |
| Balance, March 31, 2011 | $ 19,084 | $ | $ | $ | $ 462 | $ | $ | $ 1,234 | $ 5,053 | $ 25,833 |
| | | | | | | | | | | |
| Loans individually evaluated for impairment | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| Loans collectively evaluated for impairment | $ 19,084 | $ | $ | $ | $ 462 | $ | $ | $ 1,234 | $ 5,053 | $ 25,833 |
| | | | | | | | | | | |
| **Loans:** | | | | | | | | | | |
| Loans individually evaluated for impairment | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| Loans collectively evaluated for impairment | 80,355 | 90,694 | 61,497 | 122,567 | 3,150 | 982 | 13,200 | 34,401 | 10,950 | 417,796 |
| | | | | | | | | | | |
| Total loans covered under loss share agreements | $ 80,355 | $ 90,694 | $ 61,497 | $ 122,567 | $ 3,150 | $ 982 | $ 13,200 | $ 34,401 | $ 10,950 | $ 417,796 |

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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 weighted-average risk grade, (ii) the level of classified loans, (iii) net charge-offs, (iv) non-performing loans (see details below) and (v) the general economic conditions of the markets that we serve.

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

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

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

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

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

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) | March 31, 2011 | December 31, 2010 | March 31, 2010 | March 31, 2011 | December 31, 2010 | March 31, 2010 | March 31, 2011 | December 31, 2010 | March 31, 2010 |
| Pass | **$ 303,236** | $ 314,762 | $ 308,638 | **$ 253,775** | $ 244,876 | $ 243,566 | **$ 508,098** | $ 489,935 | $ 403,028 |
| Special mention | **44,319** | 40,463 | 46,638 | **37,797** | 37,487 | 30,147 | **45,187** | 38,204 | 50,608 |
| Substandard | **55,594** | 66,816 | 85,465 | **27,025** | 24,018 | 20,209 | **39,767** | 36,785 | 29,682 |
| Doubtful | | | 1,825 | | | 225 | **311** | 231 | 132 |
| | **$ 403,149** | $ 422,041 | $ 442,566 | **$ 318,597** | $ 306,381 | $ 294,147 | **$ 593,363** | $ 565,155 | $ 483,450 |

| | Commercial & Industrial | | | Other Income Producing Property | | | Commercial Total | | |
|---|---|---|---|---|---|---|---|---|---|
| | March 31, | December 31, | March 31, | March 31, | December 31, | March 31, | March 31, | December 31, | March 31, |

| | 2011 | 2010 | 2010 | 2011 | 2010 | 2010 | 2011 | 2010 | 2010 |
|---|---|---|---|---|---|---|---|---|---|
| Pass | **$ 194,491** | $ 190,608 | $ 189,311 | **$ 108,768** | $ 101,441 | $ 106,764 | **$ 1,368,368** | $ 1,341,622 | $ 1,251,307 |
| Special mention | **4,475** | 8,104 | 5,326 | **11,637** | 10,074 | 9,076 | **143,415** | 134,332 | 141,795 |
| Substandard | **7,382** | 4,275 | 8,659 | **11,453** | 12,872 | 17,965 | **141,221** | 144,766 | 161,980 |
| Doubtful | | | | **51** | 44 | 144 | **362** | 275 | 2,326 |
| | **$ 206,348** | $ 202,987 | $ 203,296 | **$ 131,909** | $ 124,431 | $ 133,949 | **$ 1,653,366** | $ 1,620,995 | $ 1,557,408 |

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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 March 31:

| (Dollars in thousands) | Consumer Owner Occupied March 31, 2011 | Consumer Owner Occupied December 31, 2010 | Consumer Owner Occupied March 31, 2010 | Home Equity March 31, 2011 | Home Equity December 31, 2010 | Home Equity March 31, 2010 | Consumer March 31, 2011 | Consumer December 31, 2010 | Consumer March 31, 2010 |
|---|---|---|---|---|---|---|---|---|---|
| Pass | **$ 297,224** | $ 286,335 | $ 259,670 | **$ 248,567** | $ 248,294 | $ 237,812 | **$ 72,276** | $ 66,775 | $ 65,388 |
| Special mention | **18,123** | 17,919 | 10,597 | **9,628** | 7,794 | 5,655 | **757** | 532 | 265 |
| Substandard | **19,502** | 18,383 | 16,848 | **5,136** | 7,906 | 6,999 | **431** | 461 | 592 |
| Doubtful | | | 673 | | | 185 | | | 14 |
| | **$ 334,849** | $ 322,637 | $ 287,788 | **$ 263,331** | $ 263,994 | $ 250,651 | **$ 73,464** | $ 67,768 | $ 66,259 |

| | Other March 31, 2011 | Other December 31, 2010 | Other March 31, 2010 | Consumer Total March 31, 2011 | Consumer Total December 31, 2010 | Consumer Total March 31, 2010 |
|---|---|---|---|---|---|---|
| Pass | **$ 23,299** | $ 20,806 | $ 13,136 | **$ 641,366** | $ 622,210 | $ 576,006 |
| Special mention | | | | **28,508** | 26,245 | 16,517 |
| Substandard | | | | **25,069** | 26,750 | 24,439 |
| Doubtful | | | | | | 872 |
| | **$ 23,299** | $ 20,806 | $ 13,136 | **$ 694,943** | $ 675,205 | $ 617,834 |

The following table presents the credit risk profile by risk grade of total non-acquired loans at March 31:

| | Total Non-acquired Loans March 31, 2011 | Total Non-acquired Loans December 31, 2010 | Total Non-acquired Loans March 31, 2010 |
|---|---|---|---|
| Pass | **$ 2,009,734** | $ 1,963,832 | $ 1,827,313 |
| Special mention | **171,923** | 160,577 | 158,312 |
| Substandard | **166,290** | 171,516 | 186,419 |
| Doubtful | **362** | 275 | 3,198 |
| | **$ 2,348,309** | $ 2,296,200 | $ 2,175,242 |

At March 31, 2011, the aggregate amount of non-acquired substandard and doubtful loans totaled $166.7 million. When these loans are combined with non-acquired OREO of $19.8 million, our non-acquired classified assets (as defined by our primary federal regulator, the Office of the Comptroller of the Currency (the OCC )) were $187.1 million. At March 31, 2010, the amounts were $189.6 million, $9.3 million, and $202.9 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 loans covered under loss share agreements net of the related discount at March 31:

| | Commercial Loans Greater Than or Equal to $1 million | | | Commercial Real Estate | | | Commercial Real Estate Construction and Development | | |
|---|---|---|---|---|---|---|---|---|---|
| (Dollars in thousands) | March 31, 2011 | December 31, 2010 | March 31, 2010 | March 31, 2011 | December 31, 2010 | March 31, 2010 | March 31, 2011 | December 31, 2010 | March 31, 2010 |
| Pass | **$ 23,391** | $ 26,395 | $ 44,917 | **$ 53,096** | $ 29,506 | $ 55,906 | **$ 33,304** | $ 11,897 | $ 28,996 |
| Special mention | **7,056** | 10,317 | 8,068 | **12,901** | 10,048 | 5,600 | **3,598** | 3,218 | 4,650 |
| Substandard | **49,109** | 46,952 | 53,232 | **24,697** | 26,696 | 20,920 | **24,510** | 16,877 | 19,690 |
| Doubtful | **799** | 624 | 583 | | 378 | 85 | **85** | 320 | 591 |
| | **$ 80,355** | $ 84,288 | $ 106,800 | **$ 90,694** | $ 66,628 | $ 82,511 | **$ 61,497** | $ 32,312 | $ 53,927 |

| | Residential Real Estate | | | Residential Real Estate Junior Lien | | | Home Equity | | |
|---|---|---|---|---|---|---|---|---|---|
| | March 31, 2011 | December 31, 2010 | March 31, 2010 | March 31, 2011 | December 31, 2010 | March 31, 2010 | March 31, 2011 | December 31, 2010 | March 31, 2010 |
| Pass | **$ 74,755** | $ 42,807 | $ 79,867 | **$ 1,830** | $ 2,219 | $ 3,681 | **$ 664** | $ 1,069 | $ 1,698 |
| Special mention | **12,420** | 10,470 | 5,895 | **118** | 93 | 63 | **109** | 156 | |
| Substandard | **34,934** | 33,112 | 24,435 | **931** | 1,112 | 850 | **209** | 294 | 82 |
| Doubtful | **458** | 1,156 | 7,453 | **271** | 249 | 49 | | | |
| | **$ 122,567** | $ 87,545 | $ 117,650 | **$ 3,150** | $ 3,673 | $ 4,643 | **$ 982** | $ 1,519 | $ 1,780 |

| | Consumer | | | Commercial & Industrial | | | Single Pay | | |
|---|---|---|---|---|---|---|---|---|---|
| | March 31, 2011 | December 31, 2010 | March 31, 2010 | March 31, 2011 | December 31, 2010 | March 31, 2010 | March 31, 2011 | December 31, 2010 | March 31, 2010 |
| Pass | **$ 10,463** | $ 7,401 | $ 17,462 | **$ 20,375** | $ 10,482 | $ 22,823 | **$ 373** | $ 258 | $ 1,352 |
| Special mention | **419** | 528 | 352 | **3,097** | 3,389 | 923 | **88** | 65 | 83 |
| Substandard | **2,235** | 2,828 | 2,150 | **10,703** | 10,503 | 8,002 | **10,019** | 8,877 | 16,188 |
| Doubtful | **83** | 158 | 613 | **226** | 368 | 648 | **470** | 216 | 900 |
| | **$ 13,200** | $ 10,915 | $ 20,577 | **$ 34,401** | $ 24,742 | $ 32,396 | **$ 10,950** | $ 9,416 | $ 18,523 |

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 March 31, 2011 was as follows:

| 30-59 Days | 60-89 Days | 90+ Days Past Due | Total Past | Total |
|---|---|---|---|---|

| (Dollars in thousands) | Past Due | Past Due | and Accruing | Due | Nonaccruals | Current | Loans |
|---|---|---|---|---|---|---|---|
| Commercial real estate: | | | | | | | |
| Construction and land development | $ 5,668 | $ 1,165 | $ 26 | $ 6,859 | $ 29,409 | $ 366,881 | $ 403,149 |
| Commercial non-owner occupied | 921 | 436 | 236 | 1,593 | 11,956 | 305,048 | 318,597 |
| Commercial owner occupied | 747 | 339 | | 1,086 | 12,326 | 579,951 | 593,363 |
| | | | | | | | |
| Consumer real estate: | | | | | | | |
| Consumer owner occupied | 781 | 220 | 35 | 1,036 | 8,397 | 325,416 | 334,849 |
| Home equity loans | 437 | 174 | 40 | 651 | 2,226 | 260,454 | 263,331 |
| | | | | | | | |
| Commercial and industrial | 274 | 410 | 2 | 686 | 1,420 | 204,242 | 206,348 |
| Other income producing property | 550 | | | 550 | 4,188 | 127,171 | 131,909 |
| Consumer | 202 | 45 | | 247 | 116 | 73,101 | 73,464 |
| Other loans | | | | | | 23,299 | 23,299 |
| | | | | | | | |
| | $ 9,580 | $ 2,789 | $ 339 | $ 12,708 | $ 70,038 | $ 2,265,563 | $ 2,348,309 |

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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 | $ 389,214 | $ 422,041 |
| Commercial non-owner occupied | 779 | 240 | | 1,019 | 10,073 | 295,289 | 306,381 |
| Commercial owner occupied | 1,063 | 453 | | 1,516 | 13,056 | 550,583 | 565,155 |
| Consumer real estate: | | | | | | | |
| Consumer owner occupied | 1,626 | 1,086 | 16 | 2,728 | 7,176 | 312,733 | 322,637 |
| Home equity loans | 725 | 79 | 14 | 818 | 2,517 | 260,659 | 263,994 |
| Commercial and industrial | 622 | 98 | | 720 | 1,282 | 200,985 | 202,987 |
| Other income producing property | 806 | 103 | 18 | 927 | 6,356 | 117,676 | 124,959 |
| Consumer | 597 | 175 | 33 | 805 | 176 | 66,259 | 67,240 |
| 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 March 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 | $ 4,446 | $ 2,535 | $ | $ 6,981 | $ 22,851 | $ 412,734 | $ 442,566 |
| Commercial non-owner occupied | 839 | 1,092 | | 1,931 | 7,012 | 285,204 | 294,147 |
| Commercial owner occupied | 1,985 | 779 | | 2,764 | 7,341 | 473,345 | 483,450 |
| Consumer real estate: | | | | | | | |
| Consumer owner occupied | 1,614 | 386 | | 2,000 | 7,509 | 278,279 | 287,788 |
| Home equity loans | 655 | 187 | | 842 | 713 | 249,096 | 250,651 |
| Commercial and industrial | 753 | 1,387 | 38 | 2,178 | 3,204 | 197,914 | 203,296 |
| Other income producing property | 1,778 | 1,551 | | 3,329 | 4,655 | 125,965 | 133,949 |
| Consumer | 304 | 99 | 1 | 404 | 345 | 65,510 | 66,259 |
| Other loans | 40 | 28 | 68 | 136 | 100 | 12,900 | 13,136 |
| | $ 12,414 | $ 8,044 | $ 107 | $ 20,565 | $ 53,730 | $ 2,100,947 | $ 2,175,242 |

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**Note 6 Loans and Allowance for Loan Losses (continued)**

An aging analysis of past due loans, segregated by type for loans covered under loss share agreements, as of March 31, 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 | $ 728 | $ | $ 34,494 | $ 35,222 | $ | $ 45,133 | $ 80,355 |
| Commercial real estate | 6,004 | 1,449 | 12,450 | 19,903 | | 70,791 | 90,694 |
| Commercial real estate construction and development | 3,179 | 2,732 | 27,021 | 32,932 | | 28,565 | 61,497 |
| Residential real estate | 4,384 | 1,442 | 17,745 | 23,571 | | 98,996 | 122,567 |
| Residential real estate junior lien | 86 | 64 | 683 | 833 | | 2,317 | 3,150 |
| Home equity | 13 | 29 | 104 | 146 | | 836 | 982 |
| Consumer | 506 | 123 | 1,010 | 1,639 | | 11,561 | 13,200 |
| Commercial and industrial | 384 | 1,913 | 7,200 | 9,497 | | 24,904 | 34,401 |
| Single pay | 5 | 76 | 9,967 | 10,048 | | 902 | 10,950 |
| | $ 15,289 | $ 7,828 | $ 110,674 | $ 133,791 | $ | $ 284,005 | $ 417,796 |

An aging analysis of past due loans, segregated by type for loans covered under loss share agreements, as of December 31, 2010 was as follows:

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

An aging analysis of past due loans, segregated by type for loans covered under loss share agreement, as of March 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 | $ 3,697 | $ 2,267 | $ 52,162 | $ 58,126 | $ | $ 48,674 | $ 106,800 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Commercial real estate | 4,485 | 791 | 19,654 | 24,930 | | 57,581 | 82,511 |
| Commercial real estate construction and development | 2,961 | 273 | 19,138 | 22,372 | | 31,555 | 53,927 |
| Residential real estate | 6,847 | 2,370 | 23,410 | 32,627 | | 85,023 | 117,650 |
| Residential real estate junior lien | 174 | 39 | 891 | 1,104 | | 3,539 | 4,643 |
| Home equity | 7 | 28 | 60 | 95 | | 1,685 | 1,780 |
| Consumer | 941 | 190 | 2,037 | 3,168 | | 17,409 | 20,577 |
| Commercial and industrial | 1,940 | 610 | 7,394 | 9,944 | | 22,452 | 32,396 |
| Single pay | 55 | 228 | 16,281 | 16,564 | | 1,959 | 18,523 |
| | $ 21,107 | $ 6,796 | $ 141,027 | $ 168,930 | $ | $ 269,877 | $ 438,807 |

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**Note 6 Loans and Allowance for Loan Losses (continued)**

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

| (Dollars in thousands) | Unpaid Contractual Principal Balance | Recorded Investment With No Allowance | Gross Recorded Investment With Allowance | Total Recorded Investment | Related Allowance | Average Recorded Investment |
|---|---|---|---|---|---|---|
| **March 31, 2011** | | | | | | |
| **Commercial real estate:** | | | | | | |
| **Construction and land development** | **$ 30,829** | **$ 10,468** | **$ 12,639** | **$ 23,107** | **$ 594** | **$ 20,080** |
| **Commercial non-owner occupied** | **14,102** | **9,528** | **2,354** | **11,882** | **866** | **8,881** |
| **Commercial owner occupied** | **11,537** | **5,544** | **4,770** | **10,314** | **446** | **7,561** |
| | | | | | | |
| **Consumer real estate:** | | | | | | |
| **Consumer owner occupied** | **2,257** | **437** | **1,560** | **1,997** | **21** | **999** |
| **Home equity loans** | | | | | | |
| | | | | | | |
| **Commercial and industrial** | **1,146** | **1,117** | | **1,117** | | **1,841** |
| **Other income producing property** | **1,360** | **340** | **899** | **1,239** | **163** | **1,773** |
| **Consumer** | | | | | | |
| **Other loans** | | | | | | |
| **Total impaired loans** | **$ 61,231** | **$ 27,434** | **$ 22,222** | **$ 49,656** | **$ 2,090** | **$ 41,135** |
| | | | | | | |
| December 31, 2010 | | | | | | |
| Commercial real estate: | | | | | | |
| Construction and land development | $ 29,656 | $ 13,362 | $ 9,719 | $ 23,081 | $ 1,718 | $ 20,338 |
| Commercial non-owner occupied | 12,902 | 5,824 | 5,124 | 10,948 | 1,444 | 8,752 |
| Commercial owner occupied | 11,279 | 5,353 | 5,394 | 10,747 | 830 | 8,913 |
| | | | | | | |
| Consumer real estate: | | | | | | |
| Consumer owner occupied | 1,725 | | 1,540 | 1,540 | 80 | 1,143 |
| Home equity loans | | | | | | |
| | | | | | | |
| Commercial and industrial | 1,145 | | 1,144 | 1,144 | 36 | 1,040 |
| Other income producing property | 4,402 | 2,246 | 907 | 3,153 | 28 | 2,477 |
| Consumer | | | | | | |
| Other loans | | | | | | |
| Total impaired loans | $ 61,109 | $ 26,785 | $ 23,828 | $ 50,613 | $ 4,136 | $ 42,663 |
| | | | | | | |
| March 31, 2010 | | | | | | |
| Commercial real estate: | | | | | | |
| Construction and land development | $ 23,953 | $ 10,678 | $ 6,374 | $ 17,052 | $ 1,683 | $ 13,677 |
| Commercial non-owner occupied | 6,604 | 2,861 | 3,018 | 5,879 | 1,197 | 3,745 |
| Commercial owner occupied | 5,323 | 1,029 | 3,778 | 4,807 | 204 | 2,528 |
| | | | | | | |
| Consumer real estate: | | | | | | |
| Consumer owner occupied | | | | | | 1,262 |
| Home equity loans | | | | | | |
| | | | | | | |
| Commercial and industrial | 8,363 | 2,565 | | 2,565 | | 1,283 |
| Other income producing property | 2,618 | 1,204 | 1,102 | 2,306 | 185 | 1,428 |
| Consumer | | | | | | |
| Other loans | | | | | | |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Total impaired loans | $ | 46,861 | $ | 18,337 | $ | 14,272 | $ | 32,609 | $ | 3,269 | $ |