SCBT FINANCIAL CORP
Form 10-Q
May 09, 2013
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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, 2013

OR

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

For the transition period from to

Commission file number 001-12669

SCBT FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

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

(800) 277-2175

(Registrant s telephone number, including area code)

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

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

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

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

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

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

Class	**Outstanding as of April 30, 2013**
Common Stock, $2.50 par value	17,024,115

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SCBT Financial Corporation and Subsidiary

March 31, 2013 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, 2013 (Unaudited)	December 31, 2012 (Note 1)	March 31, 2012 (Unaudited)
ASSETS			
Cash and cash equivalents:			
Cash and due from banks	**$ 227,326**	$ 185,708	$ 329,942
Interest-bearing deposits with banks	**5,743**	16,018	1,870
Federal funds sold and securities purchased under agreements to resell	**262,800**	179,004	71,410
Total cash and cash equivalents	**495,869**	380,730	403,222
Investment securities:			
Securities held to maturity (fair value of $15,555, $16,553, and $17,664, respectively)	**14,598**	15,440	16,568
Securities available for sale, at fair value	**510,852**	534,883	322,588
Other investments	**7,805**	9,768	18,292
Total investment securities	**533,255**	560,091	357,448
Loans held for sale	**50,449**	65,279	34,706
Loans:			
Acquired (covered of $257,066, $282,728, and $363,051, respectively; non-covered of $738,189, $792,014, and $6,093, respectively)	**995,255**	1,074,742	369,144
Less allowance for acquired loan losses	**(31,277)**	(32,132)	(34,355)
Non-acquired	**2,604,298**	2,571,003	2,437,314
Less allowance for non-acquired loan losses	**(41,669)**	(44,378)	(47,607)
Loans, net	**3,526,607**	3,569,235	2,724,496
FDIC receivable for loss share agreements	**124,340**	146,171	231,331
Premises and equipment, net	**110,792**	115,583	93,209
Goodwill	**100,487**	100,487	62,888
Other real estate owned (covered of $34,244, $34,257, and $61,788, respectively; non-covered of $36,446, $32,248, and $21,381, respectively)	**70,690**	66,505	83,169
Bank owned life insurance	**43,008**	42,737	22,233
Core deposit and other intangibles	**24,180**	25,199	11,038
Other assets	**62,252**	64,296	22,603
Total assets	**$ 5,141,929**	$ 5,136,313	$ 4,046,343
LIABILITIES AND SHAREHOLDERS EQUITY			
Deposits:			
Noninterest-bearing	**$ 1,002,662**	$ 981,963	$ 757,777
Interest-bearing	**3,216,694**	3,316,397	2,598,860
Total deposits	**4,219,356**	4,298,360	3,356,637
Federal funds purchased and securities sold under agreements to repurchase	**328,701**	238,621	235,412

Other borrowings	**54,638**	54,897	46,397
Other liabilities	**25,023**	36,886	21,390
Total liabilities	**4,627,718**	4,628,764	3,659,836
Shareholders equity:			
Preferred stock - $.01 par value; authorized 10,000,000 shares; no shares issued and outstanding			
Common stock - $2.50 par value; authorized 40,000,000 shares; 17,017,904, 16,937,464, and 14,052,177 shares issued and outstanding	**42,545**	42,344	35,130
Surplus	**329,636**	328,843	233,422
Retained earnings	**143,573**	135,986	120,837
Accumulated other comprehensive income (loss)	**(1,543)**	376	(2,882)
Total shareholders equity	**514,211**	507,549	386,507
Total liabilities and shareholders equity	**$ 5,141,929**	$ 5,136,313	$ 4,046,343

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, 2013	2012
Interest income:		
Loans, including fees	**$ 52,384**	$ 39,777
Investment securities:		
Taxable	**2,161**	2,036
Tax-exempt	**1,206**	195
Federal funds sold and securities purchased under agreements to resell	**418**	212
Total interest income	**56,169**	42,220
Interest expense:		
Deposits	**1,559**	2,494
Federal funds purchased and securities sold under agreements to repurchase	**136**	126
Other borrowings	**673**	562
Total interest expense	**2,368**	3,182
Net interest income	**53,801**	39,038
Provision for loan losses	**1,060**	2,723
Net interest income after provision for loan losses	**52,741**	36,315
Noninterest income:		
Service charges on deposit accounts	**5,761**	5,447
Bankcard services income	**3,893**	3,320
Mortgage banking income	**3,395**	1,830
Trust and investment services income	**2,314**	1,397
Amortization of FDIC indemnification assets, net	**(7,171)**	(3,233)
Other	**1,331**	712
Total noninterest income	**9,523**	9,473
Noninterest expense:		
Salaries and employee benefits	**23,252**	18,048
Information services expense	**3,192**	2,468
OREO expense and loan related	**3,102**	2,716
Net occupancy expense	**2,932**	2,248
Furniture and equipment expense	**2,572**	2,239
Merger and conversion related expense	**1,963**	96
FDIC assessment and other regulatory charges	**1,224**	1,037
Bankcard expense	**1,164**	902
Amortization of intangibles	**1,034**	500
Advertising and marketing	**842**	757
Professional fees	**691**	633
Other	**4,473**	3,575
Total noninterest expense	**46,441**	35,219
Earnings:		
Income before provision for income taxes	**15,823**	10,569
Provision for income taxes	**5,174**	3,541
Net income	**$ 10,649**	$ 7,028
Earnings per common share:		
Basic	**$ 0.64**	$ 0.51
Diluted	**$ 0.63**	$ 0.50
Dividends per common share	**$ 0.18**	$ 0.17

Weighted-average common shares outstanding:		
Basic	**16,769**	13,883
Diluted	**16,936**	13,951

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

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SCBT Financial Corporation and Subsidiary

Condensed Consolidated Statements of Comprehensive Income (unaudited)

(Dollars in thousands)

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
Net income	**$ 10,649**	$ 7,028
Other comprehensive income (loss):		
Unrealized losses on securities:		
Unrealized holding losses arising during period	**(3,203)**	(326)
Tax effect	**1,221**	124
Net of tax amount	**(1,982)**	(202)
Unrealized gains on derivative financial instruments qualifying as cash flow hedges:		
Unrealized holding gains arising during period	**29**	41
Tax effect	**(11)**	(19)
Reclassification adjustment for amounts included in interest expense	**73**	71
Tax effect	**(28)**	(24)
Net of tax amount	**63**	69
Other comprehensive loss, net of tax	**(1,919)**	(133)
Comprehensive income	**$ 8,730**	$ 6,895

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, 2013 and 2012

(Dollars in thousands, except per share data)

	Preferred Stock		Common Stock			Retained	Accumulated Other Comprehensive	
	Shares	Amount	Shares	Amount	Surplus	Earnings	Income (Loss)	Total
Balance, December 31, 2011		$	14,039,422	$ 35,099	$ 233,232	$ 116,198	$ (2,749)	$ 381,780
Comprehensive income (loss):								
Net income						7,028		7,028
Other comprehensive loss, net of tax							(133)	(133)
Total comprehensive income								6,895
Cash dividends declared at $.17 per share						(2,389)		(2,389)
Stock options exercised			606	1	11			12
Restricted stock awards			19,314	48	(48)			
Common stock repurchased			(7,165)	(18)	(201)			(219)
Share-based compensation expense					428			428
Balance, March 31, 2012		$	14,052,177	$ 35,130	$ 233,422	$ 120,837	$ (2,882)	$ 386,507
Balance, December 31, 2012		$	16,937,464	$ 42,344	$ 328,843	$ 135,986	$ 376	$ 507,549
Comprehensive income (loss):								
Net income						10,649		10,649
Other comprehensive loss, net of tax							(1,919)	(1,919)
Total comprehensive income								8,730
Cash dividends declared at $.18 per share						(3,062)		(3,062)
Stock options exercised			18,211	45	471			516
Restricted stock awards			68,308	171	(171)			
Common stock repurchased			(6,079)	(15)	(290)			(305)

Share-based compensation expense			783			783
Balance, March 31, 2013	$ 17,017,904	$ 42,545	$ 329,636	$ 143,573	$ (1,543)	$ 514,211

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, 2013	2012
Cash flows from operating activities:		
Net income	**$ 10,649**	$ 7,028
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**3,500**	2,754
Provision for loan losses	**1,060**	2,723
Deferred income taxes	**2,212**	110
Gains on OREO sales	**(2,582)**	(2,317)
Share-based compensation expense	**783**	428
Loss on disposal of premises and equipment	**5**	1
Amortization of FDIC indemnification asset	**7,171**	3,233
Accretion on acquired loans	**(23,370)**	(9,110)
Net amortization of investment securities	**1,246**	572
OREO write downs	**2,570**	8,876
Net change in:		
Loans held for sale	**14,830**	11,103
Accrued interest receivable	**(2,480)**	2,274
Prepaid assets	**(949)**	546
FDIC loss share receivable	**14,660**	28,088
Accrued interest payable	**(585)**	(566)
Accrued income taxes	**5,379**	(1,268)
Miscellaneous assets and liabilities	**(11,726)**	(8,398)
Net cash provided by operating activities	**22,373**	46,077
Cash flows from investing activities:		
Proceeds from maturities and calls of investment securities held to maturity	**843**	
Proceeds from maturities and calls of investment securities available for sale	**56,888**	16,066
Proceeds from sales of other investment securities	**1,963**	
Purchases of investment securities available for sale	**(37,283)**	(50,357)
Net decrease in customer loans	**54,021**	51,321
Purchases of premises and equipment	**(2,936)**	(2,114)
Proceeds from sale of premises and equipment		10
Proceeds from sale of OREO	**11,356**	16,536
Net cash provided by investing activities	**84,852**	31,462
Cash flows from financing activities:		
Net increase (decrease) in deposits	**(79,004)**	102,164
Net increase in federal funds purchased and securities sold under agreements to repurchase	**90,080**	54,976
Repayment of other borrowings	**(311)**	(286)
Common stock repurchased	**(305)**	(219)
Dividends paid on common stock	**(3,062)**	(2,389)
Stock options exercised	**516**	12
Net cash provided by financing activities	**7,914**	154,258
Net increase in cash and cash equivalents	**115,139**	231,797
Cash and cash equivalents at beginning of period	**380,730**	171,425
Cash and cash equivalents at end of period	**$ 495,869**	$ 403,222

Supplemental Disclosures:

Cash paid for:				
Interest	**$**	**2,811**	$	3,749
Income taxes	**$**	**564**	$	4,799
Noncash investing activities:				
Transfers of loans to foreclosed properties (covered of $6,186 and $14,491, respectively; and non-covered of $10,542 and $7,569, respectively)	**$**	**16,728**	$	22,060

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, 2013 are not necessarily indicative of the results that may be expected for the year ending December 31, 2013.

The condensed consolidated balance sheet at December 31, 2012 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 (SCBT or the Company) Annual Report on Form 10-K for the year ended December 31, 2012, as filed with the Securities and Exchange Commission (the SEC) on March 4, 2013, should be referenced when reading these unaudited condensed consolidated financial statements. Unless otherwise mentioned or unless the context requires otherwise, references herein to SCBT, the Company we, us, our or similar references mean SCBT Financial Corporation and its consolidated subsidiaries.

Subsequent Events

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

Note 3 Recent Accounting and Regulatory Pronouncements

In February 2013, the FASB issued ASU 2013-02, *Comprehensive Income (Topic 220) Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income* (ASU 2013-02). The ASU amends Topic 220 to require an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. ASU 2013-02 became effective for the Company on January 1, 2013 and did not have a significant impact on the Company s financial statements.

In January 2013, the FASB issued ASU 2013-01, *Balance Sheet (Topic 210) Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities* (ASU 2013-01). The ASU amends ASU 2011-11 to clarify that the scope applies to derivatives, repurchase and reverse repurchase agreements, and securities borrowing and lending transactions that are either offset in accordance with Section 210-20-45 or Section 815-10-45 or subject to master netting or similar arrangements. Other types of financial assets and liabilities subject to master netting or similar arrangements are not subject to the disclosure requirements in ASU 2011-11. ASU 2013-01 became effective for the Company on January 1, 2013 and did not have a significant impact on the Company s financial statements.

In October 2012, the FASB issued ASU No. 2012-06, *Business Combinations (Topic 805) Subsequent Accounting for an Indemnification Asset Recognized at the Acquisition Date as a Result of a Government-Assisted Acquisition of a Financial Institution* (ASU 2012-06). ASU 2012-06 amends Subtopic 805-20 to require subsequent measurement of an indemnification asset to be on the same basis as the indemnified asset or liability, subject to any contractual limitations on its amount and, for an indemnification asset that is not subsequently measured at its fair value, management s assessment of the collectability of the indemnification asset. ASU 2012-06 became effective for the Company on January 1, 2013 and did not have a significant impact on the Company s financial statements.

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Note 4 Mergers and Acquisitions

First Financial Holdings, Inc. Acquisition

On February 19, 2013, the Company entered into an Agreement and Plan of Merger (the Agreement) with First Financial Holdings, Inc. (First Financial), a bank holding company headquartered in Charleston, South Carolina. First Federal Bank (First Federal) is a wholly-owned bank subsidiary of First Financial. Other First Financial subsidiaries include First Southeast 401(k) Fiduciaries, Inc., a registered investment advisor, and First Southeast Investor Services, Inc., a registered broker-dealer. At March 31, 2013, First Financial reported $3.2 billion in total assets, $2.4 billion in loans and $2.6 billion in deposits. First Federal has a total of 66 branches that serve individuals and businesses throughout coastal South Carolina, Florence and Greenville, South Carolina and Wilmington, North Carolina. Pursuant to the terms of the Agreement, First Financial will merge with and into SCBT Financial Corporation, with SCBT Financial Corporation as the surviving entity in the merger. In addition, First Federal will merge with and into the Company s bank subsidiary, SCBT (SCBT Bank or the Bank), with the Bank as the surviving entity. The other subsidiaries of First Financial are expected to become subsidiaries of SCBT Financial Corporation.

Under the terms of the Agreement, First Financial common shareholders will receive aggregate consideration of approximately 7,002,384 shares of SCBT common stock. The common stock consideration is based upon a fixed exchange ratio of 0.4237 shares of SCBT common stock for each of the outstanding shares of FFCH common stock, and each outstanding share of First Financial Fixed Rate Cumulative Perpetual Preferred Stock, Series A ("First Financial Preferred Stock"), will be converted into the right to receive one share of preferred stock of SCBT, to be designated Series A Fixed Rate Cumulative Perpetual Preferred Stock and having such rights, preferences and privileges as are not materially less favorable than the rights, preferences and privileges of the First Financial Preferred Stock.

The transaction is subject to regulatory approvals, the affirmative vote of both SCBT Financial Corporation s and First Financial s shareholders, and other customary closing conditions. The transaction is expected to close during the third quarter of 2013.

The Savannah Bancorp, Inc. Acquisition

On December 13, 2012, the Company acquired all of the outstanding common stock of The Savannah Bancorp, Inc. (Savannah), a bank holding company based in Savannah, Georgia, in a stock transaction. Savannah common shareholders received 0.2503 shares of the Company s common stock in exchange for each share of Savannah stock, resulting in the Company issuing 1,802,137 common shares. In total, the purchase price was $68.9 million including the value of in the money outstanding stock options totaling $63,000.

The Savannah transaction was accounted for using the acquisition method of accounting and, accordingly, assets acquired, liabilities assumed and consideration exchanged were recorded at estimated fair value on the acquisition date. Fair values are preliminary and subject to refinement for up to a year after the closing date of the acquisition.

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Note 4 Mergers and Acquisitions (Continued)

The following table presents the assets acquired and liabilities assumed as of December 13, 2012, as recorded by Savannah on the acquisition date and initial and subsequent fair value adjustments.

(Dollars in thousands)	As Recorded by Savannah	Fair Value Adjustments	Subsequent Fair Value Adjustments	As Recorded by SCBT
Assets				
Cash and cash equivalents	$ 86,244	$	$	$ 86,244
Investment securities	75,460	(1,288)(a)	31(a)	74,203
Loans	660,555	(59,196)(b)		601,359
Premises and equipment	12,555	(1,843)(c)	(264)(c)	10,448
Intangible assets	3,357	9,546(d)	15(d)	12,918
Other real estate owned and repossessed assets	13,934	(5,315)(e)	264(e)	8,883
Bank owned life insurance	6,705			6,705
Deferred tax asset	(790)	39,143(f)	(128)(f)	38,225
Other assets	8,497	(2,348)(g)		6,149
Total assets	$ 866,517	$ (21,301)	$ (82)	$ 845,134
Liabilities				
Deposits:				
Noninterest-bearing	$ 129,902	$	$	$ 129,902
Interest-bearing	619,198	2,530(h)		621,728
Total deposits	749,100	2,530		751,630
Federal funds purchased and securities sold under agreements to repurchase	13,491			13,491
Other borrowings	30,613	(232)(i)		30,381
Other liabilities	8,026	6,657(j)	(311)(j)	14,372
Total liabilities	801,230	8,955	(311)	809,874
Net identifiable assets acquired over (under) liabilities assumed	65,287	(30,256)	229	35,260
Goodwill		33,886	(229)	33,657
Net assets acquired over liabilities assumed	$ 65,287	$ 3,630	$	$ 68,917
Consideration:				
SCBT Financial Corporation common shares issued	1,802,137			
Purchase price per share of the Company s common stock	$ 38.20			
Company common stock issued and cash exchanged for fractional shares	68,854			
Cash paid for stock options outstanding	63			
Fair value of total consideration transferred	$ 68,917			

Explanation of fair value adjustments

(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 and excludes the allowance for loan losses recorded by Savannah.

(c) Adjustment reflects the fair value adjustments based on the Company s evaluation of the acquired premises and equipment.

(d) Adjustment reflects the recording of the core deposit intangible on the acquired deposit accounts and other intangibles for non-compete agreements and customer lists.

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

(f) Adjustment to record deferred tax asset related to fair value adjustments at 35.8% income tax rate.

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

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

(i) Adjustment reflects the prepayment fee paid when FHLB advances were completely paid off in December of 2012 and the fair value adjustment based on the Company s evaluation of the junior subordinated debt.

(j) Adjustment reflects the incremental accrual for employee related benefits, asset sale termination fee and other liabilities.

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Note 4 Mergers and Acquisitions (Continued)

Peoples Bancorporation, Inc. Acquisition

On April 24, 2012, the Company acquired all of the outstanding common stock of Peoples Bancorporation, Inc. (Peoples), a bank holding company based in Easley, South Carolina, in a stock transaction. Peoples common shareholders received 0.1413 shares of the Company s common stock in exchange for each share of Peoples stock, resulting in the Company issuing 1,002,741 common shares at a fair value of $31.1 million. Peoples preferred stock (including accrued and unpaid dividend) issued under the U.S. Treasury s Troubled Asset Relief Program (TARP) were purchased by the Company for $13.4 million and retired as part of the merger transaction. In total, the purchase price was $44.5 million including the value of in the money outstanding stock options totaling $96,000.

The Peoples transaction was accounted for using the acquisition method of accounting and, accordingly, assets acquired, liabilities assumed and consideration exchanged were recorded at fair value on the acquisition date.

The following table presents the assets acquired and liabilities assumed as of April 24, 2012, as recorded by Peoples on the acquisition date and initial and subsequent fair value adjustments.

(Dollars in thousands)	As Recorded by Peoples	Initial Fair Value Adjustments	Subsequent Fair Value Adjustments	As Recorded by SCBT
Assets				
Cash and cash equivalents	$ 24,459	$	$	$ 24,459
Investment securities	176,334	(442)(a)		175,892
Loans	262,858	(28,613)(b)		234,245
Premises and equipment	10,094	3,202(c)		13,296
Intangible assets		2,930(d)		2,930
Other real estate owned and repossessed assets	13,257	(5,153)(e)		8,104
Deferred tax asset	4,702	11,766(f)	64(f)	16,532
Other assets	17,588	(883)(g)		16,705
Total assets	$ 509,292	$ (17,193)	$ 64	$ 492,163
Liabilities				
Deposits:				
Noninterest-bearing	$ 54,884	$	$	$ 54,884
Interest-bearing	378,781	1,405(h)		380,186
Total deposits	433,665	1,405		435,070
Other borrowings	9,542			9,542
Other liabilities	4,291	2,475(i)	178(i)	6,944
Total liabilities	447,498	3,880	178	451,556
Net identifiable assets acquired over (under) liabilities assumed	61,794	(21,073)	(114)	40,607
Goodwill		3,828	114	3,942
	$ 61,794	$ (17,245)	$	$ 44,549

Net assets acquired over (under) liabilities assumed		
Consideration:		
SCBT Financial Corporation common shares issued		1,002,741
Purchase price per share of the Company s common stock	$	31.06
Company common stock issued and cash exchanged for fractional shares		31,160
Cash paid for stock options outstanding		96
Cash paid for TARP preferred stock		13,293
Fair value of total consideration transferred	$	44,549

Explanation of fair value adjustments

(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 and excludes the allowance for loan losses recorded by Peoples Bancorporation, Inc.

(c) Adjustment reflects the fair value adjustments based on the Company s evaluation of the acquired premises and equipment.

(d) Adjustment reflects the recording of the core deposit intangible on the acquired deposit accounts and other intangibles for non-compete agreements.

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

(f) Adjustment to record deferred tax asset related to fair value adjustments at 35.8% income tax rate.

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Note 4 Mergers and Acquisitions (Continued)

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

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

(i) Adjustment reflects the incremental accrual for SERP termination, other employee related benefits, and other liabilities.

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, 2013:				
State and municipal obligations	**$ 14,598**	**$ 957**	**$**	**$ 15,555**
December 31, 2012:				
State and municipal obligations	$ 15,440	$ 1,113	$	$ 16,553
March 31, 2012:				
State and municipal obligations	$ 16,568	$ 1,096	$	$ 17,664

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Note 5 Investment Securities (Continued)

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, 2013:				
Government-sponsored entities debt *	**$ 71,408**	**$ 515**	**$ (121)**	**$ 71,802**
State and municipal obligations	**144,979**	**4,308**	**(391)**	**148,896**
Mortgage-backed securities **	**283,348**	**6,585**	**(191)**	**289,742**
Corporate stocks	**241**	**172**	**(1)**	**412**
	$ 499,976	**$ 11,580**	**$ (704)**	**$ 510,852**
December 31, 2012:				
Government-sponsored entities debt *	$ 87,584	$ 965	$ (31)	$ 88,518
State and municipal obligations	147,201	5,647	(49)	152,799
Mortgage-backed securities **	285,800	7,489	(102)	293,187
Corporate stocks	241	139	(1)	379
	$ 520,826	$ 14,240	$ (183)	$ 534,883
March 31, 2012:				
Government-sponsored entities debt *	$ 65,505	$ 985	$ (112)	$ 66,378
State and municipal obligations	39,099	2,942	(33)	42,008
Mortgage-backed securities **	208,564	5,301	(56)	213,809
Corporate stocks	240	154	(1)	393
	$ 313,408	$ 9,382	$ (202)	$ 322,588

* - Government-sponsored entities 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 entities; there are no private-label holdings.

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, 2013:				
Federal Home Loan Bank stock	**$ 6,163**	**$**	**$**	**$ 6,163**
Investment in unconsolidated subsidiaries	**1,642**			**1,642**
	$ 7,805	**$**	**$**	**$ 7,805**
December 31, 2012:				
Federal Home Loan Bank stock	$ 8,126	$	$	$ 8,126
Investment in unconsolidated subsidiaries	1,642			1,642
	$ 9,768	$	$	$ 9,768
March 31, 2012:				
Federal Reserve Bank stock	$ 7,028	$	$	$ 7,028

Federal Home Loan Bank stock	9,932			9,932
Investment in unconsolidated subsidiaries	1,332			1,332
	$ 18,292	$	$	$ 18,292

The Company has determined that the investment in FHLB stock is not other than temporarily impaired as of March 31, 2013 and ultimate recoverability of the par value of these investments is probable.

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Note 5 Investment Securities (Continued)

Effective July 1, 2012, the Bank converted its national charter to a state charter and changed its name from SCBT, National Association to SCBT. In conjunction with the charter conversion, the Bank became a non-member bank of the Federal Reserve and liquidated its entire position in Federal Reserve Bank stock on July 2, 2012, with no gain or loss.

The amortized cost and fair value of debt securities at March 31, 2013 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	$ 1,924	$ 1,955	$ 3,946	$ 3,981
Due after one year through five years	345	369	13,669	14,011
Due after five years through ten years	8,927	9,523	111,773	114,088
Due after ten years	3,402	3,708	370,588	378,772
	$ 14,598	$ 15,555	$ 499,976	$ 510,852

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Note 5 Investment Securities (Continued)

Information pertaining to the Company s securities with gross unrealized losses at March 31, 2013, December 31, 2012 and March 31, 2012, 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, 2013:				
Securities Held to Maturity				
State and municipal obligations	**$**	**$**	**$**	**$**
Securities Available for Sale				
Government-sponsored entities debt	**$ 121**	**$ 27,852**	**$**	**$**
State and municipal obligations	**391**	**27,502**		
Mortgage-backed securities	**191**	**26,765**		
Corporate Stocks	**1**	**9**		
	$ 704	**$ 82,128**	**$**	**$**
December 31, 2012:				
Securities Held to Maturity				
State and municipal obligations	$	$	$	$
Securities Available for Sale				
Government-sponsored entities debt	$ 31	$ 4,963	$	$
State and municipal obligations	49	9,602		
Mortgage-backed securities	102	13,709		
Corporate stocks	1	9		
	$ 183	$ 28,283	$	$
March 31, 2012:				
Securities Held to Maturity				
State and municipal obligations	$	$	$	$
Securities Available for Sale				
Government-sponsored entities debt	$ 112	$ 15,516	$	$
State and municipal obligations	18	381	15	486
Mortgage-backed securities	56	8,367		
Corporate stocks			1	9
	$ 186	$ 24,264	$ 16	$ 495

Management evaluates securities for other-than-temporary impairment (OTTI) at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, (3) the outlook for receiving the contractual cash flows of the investments, (4) the anticipated outlook for changes in the general level of interest rates, and (5) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value or for a debt security whether it is more-likely-than-not that the Company will be required to sell the debt security prior to recovering its fair value. As part of the Company s evaluation of its intent and ability to hold investments for a period of time sufficient to allow for any anticipated recovery in the market, the Company considers its investment strategy, cash flow needs, liquidity position, capital adequacy and interest rate risk position. The Company does not currently intend to sell the securities within the portfolio and it is not more-likely-than-not that the Company will be required to sell the debt securities; therefore, management does not consider these investments to be other-than-temporarily impaired at March 31, 2013. Management continues to monitor all of these securities with a high degree of scrutiny. There can be no assurance that the Company will not conclude in future periods that conditions existing at that time indicate some or all of these securities may be sold or are other than temporarily impaired, which would require a charge to earnings in such periods.

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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, 2013	December 31, 2012	March 31, 2012
Non-acquired loans:			
Commercial non-owner occupied real estate:			
Construction and land development	**$ 273,488**	$ 273,420	$ 294,865
Commercial non-owner occupied	**298,707**	290,071	284,044
Total commercial non-owner occupied real estate	**572,195**	563,491	578,909
Consumer real estate:			
Consumer owner occupied	**443,134**	434,503	407,697
Home equity loans	**249,356**	255,284	258,054
Total consumer real estate	**692,490**	689,787	665,751
Commercial owner occupied real estate	**796,139**	784,152	744,441
Commercial and industrial	**291,308**	279,763	216,083
Other income producing property	**131,776**	133,713	130,177
Consumer	**93,997**	86,934	85,350
Other loans	**26,393**	33,163	16,603
Total non-acquired loans	**2,604,298**	2,571,003	2,437,314
Less allowance for loan losses	**(41,669)**	(44,378)	(47,607)
Non-acquired loans, net	**$ 2,562,629**	$ 2,526,625	$ 2,389,707

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Note 6 Loans and Allowance for Loan Losses (Continued)

In accordance with FASB ASC Topic 310-30, the Company aggregated acquired loans that have common risk characteristics into pools of loan categories as described in the table below. The majority of the acquired loans are accounted for in accordance with FASB ASC Topic 310-30.

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

(Dollars in thousands)	Loans Impaired at Acquisition	Loans Not Impaired at Acquisition	Total
March 31, 2013:			
FASB ASC Topic 310-30 acquired loans:			
Covered loans:			
Commercial loans greater than or equal to $1 million-CBT	**$ 19,433**	**$ 28,677**	**$ 48,110**
Commercial real estate	**17,648**	**35,324**	**52,972**
Commercial real estate construction and development	**11,690**	**15,967**	**27,657**
Residential real estate	**37,091**	**60,681**	**97,772**
Consumer	**776**	**3,069**	**3,845**
Commercial and industrial	**7,682**	**14,296**	**21,978**
Single pay	**4,560**	**172**	**4,732**
Total covered loans	**$ 98,880**	**$ 158,186**	**$ 257,066**
Non-covered loans:			
Commercial real estate	**49,391**	**244,875**	**294,266**
Commercial real estate construction and development	**27,431**	**54,971**	**82,402**
Residential real estate	**39,027**	**199,231**	**238,258**
Consumer	**1,416**	**7,907**	**9,323**
Commercial and industrial	**2,884**	**40,822**	**43,706**
Total non-covered loans	**120,149**	**547,806**	**667,955**
Total FASB ASC Topic 310-30 acquired loans	**219,029**	**705,992**	**925,021**
Total FASB ASC Topic 310-20 acquired loans (non-covered)		**70,234**	**70,234**
Total acquired loans	**219,029**	**776,226**	**995,255**
Less allowance for loan losses	**(26,302)**	**(4,975)**	**(31,277)**
Acquired loans, net	**$ 192,727**	**$ 771,251**	**$ 963,978**
December 31, 2012:			
FASB ASC Topic 310-30 acquired loans:			
Covered loans:			
Commercial loans greater than or equal to $1 million-CBT	$ 19,483	$ 30,201	$ 49,684
Commercial real estate	22,946	40,016	62,962
Commercial real estate construction and development	15,107	17,468	32,575
Residential real estate	39,050	65,761	104,811
Consumer	948	3,376	4,324
Commercial and industrial	8,281	15,319	23,600
Single pay	4,599	173	4,772
Total covered loans	$ 110,414	$ 172,314	$ 282,728
Non-covered loans:			

Commercial real estate	53,259	256,703	309,962
Commercial real estate construction and development	32,975	64,901	97,876
Residential real estate	40,585	209,731	250,316
Consumer	1,672	9,689	11,361
Commercial and industrial	3,064	46,220	49,284
Total non-covered loans	131,555	587,244	718,799
Total FASB ASC Topic 310-30 acquired loans	241,969	759,558	1,001,527
Total FASB ASC Topic 310-20 acquired loans (non-covered)		73,215	73,215
Total acquired loans	241,969	832,773	1,074,742
Less allowance for loan losses	(24,988)	(7,144)	(32,132)
Acquired loans, net	$ 216,981	$ 825,629	$ 1,042,610

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Note 6 Loans and Allowance for Loan Losses (Continued)

(Dollars in thousands)	Loans Impaired at Acquisition	Loans Not Impaired at Acquisition	Total
March 31, 2012:			
FASB ASC Topic 310-30 acquired loans:			
Covered loans:			
Commercial loans greater than or equal to $1 million-CBT	$ 21,956	$ 34,360	$ 56,316
Commercial real estate	35,202	64,632	99,834
Commercial real estate construction and development	24,513	19,743	44,256
Residential real estate	50,816	77,394	128,210
Consumer	2,057	4,088	6,145
Commercial and industrial	8,570	14,320	22,890
Single pay	5,226	174	5,400
Total covered loans	$ 148,340	$ 214,711	$ 363,051
Non-covered loans:			
Commercial real estate	353	610	963
Commercial real estate construction and development	22	61	83
Residential real estate	342	637	979
Consumer	2,170	268	2,438
Commercial and industrial	75	1,555	1,630
Total non-covered loans	2,962	3,131	6,093
Total FASB ASC Topic 310-30 acquired loans	151,302	217,842	369,144
Less allowance for loan losses	(25,712)	(8,643)	(34,355)
Acquired loans, net	$ 125,590	$ 209,199	$ 334,789

Contractual loan payments receivable, estimates of amounts not expected to be collected, other fair value adjustments and the resulting fair values of FASB ASC Topic 310-30 acquired loans impaired and non-impaired at the acquisition date for Savannah (December 13, 2012) are as follows:

	December 13, 2012 FASB ASC Topic 310-30 Loans		
(Dollars in thousands)	Loans Impaired at Acquisition	Loans Not Impaired at Acquisition	Total
Contractual principal and interest	$ 155,582	$ 483,293	$ 638,875
Non-accretable difference	(37,492)	(9,460)	(46,952)
Cash flows expected to be collected	118,090	473,833	591,923
Accretable yield	(8,615)	(51,466)	(60,081)
Carrying value	$ 109,475	$ 422,367	$ 531,842

The table above excludes $69.5 million ($74.9 million in contractual principal less a $5.4 million fair value adjustment) in acquired loans at fair value as of the acquisition date that will be accounted for under FASB ASC Topic 310-20. These loans are primarily commercial and consumer lines of credit for which the entire discount will be accreted into interest income.

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Note 6 Loans and Allowance for Loan Losses (Continued)

Contractual loan payments receivable, estimates of amounts not expected to be collected, other fair value adjustments and the resulting fair values of acquired loans impaired and non-impaired at the acquisition date for Peoples (April 24, 2012) are as follows:

	April 24, 2012		
	FASB ASC Topic 310-30 Loans		
(Dollars in thousands)	**Loans Impaired at Acquisition**	**Loans Not Impaired at Acquisition**	**Total**
Contractual principal and interest	$ 56,940	$ 250,023	$ 306,963
Non-accretable difference	(21,237)	(16,560)	(37,797)
Cash flows expected to be collected	35,703	233,463	269,166
Accretable yield	(4,968)	(29,953)	(34,921)
Carrying value	$ 30,735	$ 203,510	$ 234,245

Contractual loan payments receivable, estimates of amounts not expected to be collected, other fair value adjustments and the resulting carrying values of acquired loans (impaired and non-impaired) as of March 31, 2013, December 31, 2012, and March 31, 2012 are as follows:

	FASB ASC Topic 310-30 Loans		
(Dollars in thousands)	**Loans Impaired at Acquisition**	**Loans Not Impaired at Acquisition**	**Total**
March 31, 2013:			
Contractual principal and interest	**$ 336,815**	**$ 846,617**	**$ 1,183,432**
Non-accretable difference	**(68,127)**	**(40,763)**	**(108,890)**
Cash flows expected to be collected	**268,688**	**805,854**	**1,074,542**
Accretable yield	**(49,659)**	**(99,862)**	**(149,521)**
Carrying value	**$ 219,029**	**$ 705,992**	**$ 925,021**
Allowance for acquired loan losses	**$ (26,302)**	**$ (4,975)**	**$ (31,277)**
December 31, 2012:			
Contractual principal and interest	$ 376,894	$ 926,153	$ 1,303,047
Non-accretable difference	(86,514)	(54,157)	(140,671)
Cash flows expected to be collected	290,380	871,996	1,162,376
Accretable yield	(48,411)	(112,438)	(160,849)
Carrying value	$ 241,969	$ 759,558	$ 1,001,527
Allowance for acquired loan losses	$ (24,988)	$ (7,144)	$ (32,132)
March 31, 2012:			
Contractual principal and interest	$ 282,499	$ 329,796	$ 612,295
Non-accretable difference	(100,477)	(56,524)	(157,001)
Cash flows expected to be collected	182,022	273,272	455,294
Accretable yield	(30,720)	(55,430)	(86,150)
Carrying value	$ 151,302	$ 217,842	$ 369,144
Allowance for acquired loan losses	$ (25,712)	$ (8,643)	$ (34,355)

The table above excludes $70.2 million ($75.2 million in contractual principal less a $4.9 million discount) in acquired loans at carrying value as of March 31, 2013 accounted for under FASB ASC Topic 310-20. The table above excludes $73.2 million ($78.5 million in contractual principal less a $5.3 million discount) in acquired loans at carrying value as of December 31, 2012 accounted for under FASB ASC Topic 310-20.

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Note 6 Loans and Allowance for Loan Losses (Continued)

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

The unpaid principal balance for acquired loans was $1.2 billion, $1.3 billion, and $540.4 million at March 31, 2013, December 31, 2012 and March 31, 2012, respectively.

The following are changes in the carrying value of acquired loans during the three months ended March 31, 2013 and 2012:

	FASB ASC Topic 310-30 Loans		
(Dollars in thousands)	**Loans Impaired at Acquisition**	**Loans Not Impaired at Acquisition**	**Total**
Balance, December 31, 2012	**$ 216,981**	**$ 752,414**	**$ 969,395**
Net reductions for payments, foreclosures, and accretion	**(22,940)**	**(53,566)**	**(76,506)**
Change in the allowance for loan losses on acquired loans	**(1,314)**	**2,169**	**855**
Balance, March 31, 2013, net of allowance for loan losses on acquired loans	**$ 192,727**	**$ 701,017**	**$ 893,744**
Balance, December 31, 2011	$ 146,955	$ 223,626	$ 370,581
Net reductions for payments, foreclosures, and accretion	(19,528)	(13,529)	(33,057)
Change in the allowance for loan losses on acquired loans	(1,837)	(898)	(2,735)
Balance, March 30, 2012, net of allowance for loan losses on acquired loans	$ 125,590	$ 209,199	$ 334,789

The following are changes in the carrying amount of accretable difference for acquired impaired and non-impaired loans for the three months ended March 31, 2013 and 2012:

	Three Months Ended March 31,	
(Dollars in thousands)	**2013**	**2012**
Beginning at beginning of period	**$ 160,849**	$ 94,600
Interest income	**(21,712)**	(9,110)
Reclass of nonaccretable difference due to improvement in expected cash flows	**13,812**	8,270
Other changes, net	**(3,428)**	(7,610)
Balance at end of period	**$ 149,521**	$ 86,150

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

The allowance for loan losses is based upon estimates made by management. We maintain an allowance for loan losses at a level that we believe is appropriate to cover estimated credit losses on individually evaluated loans that are determined to be impaired as well as estimated credit losses inherent in the remainder of our loan portfolio. Arriving at the allowance involves a high degree of management judgment and results in a range of estimated losses. We regularly evaluate the adequacy of the allowance through our internal risk rating system, outside credit review, and regulatory agency examinations to assess the quality of the loan portfolio and identify problem loans. The evaluation process also includes our analysis of current economic conditions, composition of the loan portfolio, past due and nonaccrual loans, concentrations of credit, lending policies and procedures, and historical loan loss experience. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on, among other factors, changes in economic conditions in our markets. In addition, regulatory agencies, as an integral part of their examination process, periodically review our allowances for losses on loans. These agencies may require management to recognize additions to the allowances based on their judgments about information available to them at the time of their examination. Because of these and other factors, it is possible that the allowances for losses on loans may change. The provision for loan losses is charged to expense in an amount necessary to maintain the allowance at an appropriate level.

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Note 6 Loans and Allowance for Loan Losses (Continued)

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

In determining the acquisition date fair value of purchased loans, and in subsequent accounting, SCBT generally aggregates purchased loans into pools of loans with common risk characteristics. Expected cash flows at the acquisition date in excess of the fair value of loans are recorded as interest income over the life of the loans using a level yield method if the timing and amount of the future cash flows of the pool is reasonably estimable. Subsequent to the acquisition date, increases in cash flows over those expected at the acquisition date are reclassified from the non-accretable difference to accretable yield and recognized as interest income prospectively. Decreases in expected cash flows after the acquisition date are recognized by recording an allowance for loan losses. Management analyzes the acquired loan pools using various assessments of risk to determine an expected loss. The expected loss is derived based upon a loss given default based upon the collateral type and/or detailed review by loan officers of loans greater than $500,000 and the probability of default that is determined based upon historical data at the loan level. Trends are reviewed in terms of accrual status, past due status, and weighted-average grade of the loans within each of the accounting pools. In addition, the relationship between the change in the unpaid principal balance and change in the mark is assessed to correlate the directional consistency of the expected loss for each pool. Offsetting the impact of the provision established for acquired loans covered under FDIC loss share agreements, 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 Business Combinations and method of Accounting for Loans Acquired in our Annual Report on Form 10-K for the year ended December 31, 2012.)

An aggregated analysis of the changes in allowance for loan losses is as follows:

(Dollars in thousands)		Non-acquired Loans		Acquired Loans		Total
Three months ended March 31, 2013:						
Balance at beginning of period	$	**44,378**	$	**32,132**	$	**76,510**
Loans charged-off		**(4,607)**				**(4,607)**
Recoveries of loans previously charged off		**1,045**				**1,045**
Net charge-offs		**(3,562)**				**(3,562)**
Provision for loan losses		**853**		**(855)**		**(2)**
Benefit attributable to FDIC loss share agreements				**1,062**		**1,062**
Total provision for loan losses charged to operations		**853**		**207**		**1,060**
Provision for loan losses recorded through the FDIC loss share receivable				**(1,062)**		**(1,062)**
Balance at end of period	$	**41,669**	$	**31,277**	$	**72,946**

Three months ended March 31, 2012:			
Balance at beginning of period	$ 49,367	$ 31,620	$ 80,987
Loans charged-off	(5,698)		(5,698)
Recoveries of loans previously charged off	1,640		1,640
Net charge-offs	(4,058)		(4,058)
Provision for loan losses	2,298	2,735	5,033
Benefit attributable to FDIC loss share agreements		(2,310)	(2,310)
Total provision for loan losses charged to operations	2,298	425	2,723
Provision for loan losses recorded through the FDIC loss share receivable		2,310	2,310
Balance at end of period	$ 47,607	$ 34,355	$ 81,962

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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:

(Dollars in thousands)	Construction & Land Development	Commercial Non-owner Occupied	Commercial Owner Occupied	Consumer Owner Occupied	Home Equity	Commercial & Industrial	Other Income Producing Property	Consumer	Other Loans	Total
Three months ended March 31, 2013:										
Allowance for loan losses:										
Balance, December 31, 2012	**$ 10,836**	**$ 4,921**	**$ 8,743**	**$ 6,568**	**$ 3,626**	**$ 4,939**	**$ 3,747**	**$ 781**	**$ 217**	**$ 44,378**
Charge-offs	**(2,197)**		**(695)**	**(150)**	**(197)**	**(324)**	**(339)**	**(705)**		**(4,607)**
Recoveries	**258**	**254**	**10**	**89**	**72**	**99**	**9**	**254**		**1,045**
Provision	**339**	**96**	**150**	**16**	**35**	**71**	**42**	**104**		**853**
Balance, March 31, 2013	**$ 9,236**	**$ 5,271**	**$ 8,208**	**$ 6,523**	**$ 3,536**	**$ 4,785**	**$ 3,459**	**$ 434**	**$ 217**	**$ 41,669**
Loans individually evaluated for impairment	**$ 1,027**	**$ 2,059**	**$ 623**	**$ 200**	**$**	**$ 84**	**$ 809**	**$**	**$**	**$ 4,802**
Loans collectively evaluated for impairment	**$ 8,209**	**$ 3,212**	**$ 7,585**	**$ 6,323**	**$ 3,536**	**$ 4,701**	**$ 2,650**	**$ 434**	**$ 217**	**$ 36,867**
Loans:										
Loans individually evaluated for impairment	**$ 12,057**	**$ 4,861**	**$ 17,629**	**$ 1,177**	**$**	**$ 1,934**	**$ 4,040**	**$**	**$**	**$ 41,698**
Loans collectively evaluated for impairment	**261,431**	**293,846**	**778,510**	**441,957**	**249,356**	**289,374**	**127,736**	**93,997**	**26,393**	**2,562,600**
Total non-acquired loans	**$ 273,488**	**$ 298,707**	**$ 796,139**	**$ 443,134**	**$ 249,356**	**$ 291,308**	**$ 131,776**	**$ 93,997**	**$ 26,393**	**$ 2,604,298**
Three months ended March 31, 2012:										
Allowance for loan losses:										
Balance, December 31, 2011	$ 12,373	$ 6,109	$ 10,356	$ 7,453	$ 4,269	$ 3,901	$ 3,636	$ 1,145	$ 125	$ 49,367
Charge-offs	(1,010)	(1,002)	(1,495)	(446)	(500)	(330)	(455)	(409)	(51)	(5,698)
Recoveries	780	16	1	12	181	110	273	256	11	1,640
Provision	455	539	409	548	83	69	63	83	49	2,298
Balance, March 31, 2012	$ 12,598	$ 5,662	$ 9,271	$ 7,567	$ 4,033	$ 3,750	$ 3,517	$ 1,075	$ 134	$ 47,607
Loans individually evaluated for impairment	$ 2,052	$ 528	$ 294	$ 644	$	$	$ 322	$	$	$ 3,840
Loans collectively evaluated for impairment	$ 10,546	$ 5,134	$ 8,977	$ 6,923	$ 4,033	$ 3,750	$ 3,195	$ 1,075	$ 134	$ 43,767
Loans:										
Loans individually evaluated for impairment	$ 22,641	$ 8,017	$ 16,895	$ 4,004	$	$ 884	$ 4,686	$	$	$ 57,127
Loans collectively evaluated for impairment	272,224	276,027	727,546	403,693	258,054	215,199	125,491	85,350	16,603	2,380,187
Total non-acquired loans	$ 294,865	$ 284,044	$ 744,441	$ 407,697	$ 258,054	$ 216,083	$ 130,177	$ 85,350	$ 16,603	$ 2,437,314

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Note 6 Loans and Allowance for Loan Losses (Continued)

The following tables present a disaggregated analysis of activity in the allowance for loan losses and loan balances for acquired loans:

(Dollars in thousands)	Commercial Loans Greater Than or Equal to $1 Million-CBT	Commercial Real Estate	Commercial Real Estate-Construction and Development	Residential Real Estate	Consumer	Commercial and Industrial	Single Pay	FASB ASC Topic 310-20 Loans	Total
Three months ended March 31, 2013:									
Allowance for loan losses:									
Balance, December 31, 2012	**$ 15,408**	**$ 1,517**	**$ 1,628**	**$ 4,616**	**$ 96**	**$ 4,305**	**$ 4,562**	**$**	**$ 32,132**
Charge-offs									
Recoveries									
Provision for loan losses before benefit attributable to FDIC loss share agreements	**(452)**	**(675)**	**856**	**(55)**	**(7)**	**(522)**			**(855)**
Benefit attributable to FDIC loss share agreements	**429**	**526**	**(686)**	**290**	**7**	**496**			**1,062**
Total provision for loan losses charged to operations	**(23)**	**(149)**	**170**	**235**		**(26)**			**207**
Provision for loan losses recorded through the FDIC loss share receivable	**(429)**	**(526)**	**686**	**(290)**	**(7)**	**(496)**			**(1,062)**
Balance, March 31, 2013	**$ 14,956**	**$ 842**	**$ 2,484**	**$ 4,561**	**$ 89**	**$ 3,783**	**$ 4,562**	**$**	**$ 31,277**
Loans individually evaluated for impairment	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Loans collectively evaluated for impairment	**$ 14,956**	**$ 842**	**$ 2,484**	**$ 4,561**	**$ 89**	**$ 3,783**	**$ 4,562**	**$**	**$ 31,277**
Loans:*									
Loans individually evaluated for impairment	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Loans collectively evaluated for impairment	**48,110**	**347,238**	**110,059**	**336,030**	**13,168**	**65,684**	**4,732**	**70,234**	**995,255**
Total acquired loans	**$ 48,110**	**$ 347,238**	**$ 110,059**	**$ 336,030**	**$ 13,168**	**$ 65,684**	**$ 4,732**	**$ 70,234**	**$ 995,255**
Three months ended March 31, 2012:									
Allowance for loan losses:									
Balance, December 31, 2011	$ 16,706	$ 1,318	$	$ 5,471	$	$ 4,564	$ 3,561	$	$ 31,620
Charge-offs									
Recoveries									
Provision for loan losses before benefit attributable to FDIC loss share agreements	145	73	2,057	(1,136)	10	19	1,567		2,735
Benefit attributable to FDIC loss share agreements	(138)	(69)	(1,666)	1,079	(9)	(18)	(1,489)		(2,310)

Total provision for loan losses charged to operations	7	4	391	(57)	1	1	78		425
Provision for loan losses recorded through the FDIC loss share receivable	138	69	1,666	(1,079)	9	18	1,489		2,310
Balance, March 31, 2012	$ 16,851	$ 1,391	$ 2,057	$ 4,335	$ 10	$ 4,583	$ 5,128	$	$ 34,355
Loans individually evaluated for impairment	$	$	$	$	$	$	$	$	$
Loans collectively evaluated for impairment	$ 16,851	$ 1,391	$ 2,057	$ 4,335	$ 10	$ 4,583	$ 5,128	$	$ 34,355
Loans:*									
Loans individually evaluated for impairment	$	$	$	$	$	$	$	$	$
Loans collectively evaluated for impairment	56,316	100,797	44,339	129,189	8,583	24,520	5,400		369,144
Total acquired loans	$ 56,316	$ 100,797	$ 44,339	$ 129,189	$ 8,583	$ 24,520	$ 5,400	$	$ 369,144

* The carrying value of FASB ASC Topic 310-30 acquired loans includes a non-accretable difference which is primarily associated with the assessment of credit quality of acquired loans.

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Note 6 Loans and Allowance for Loan Losses (Continued)

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

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

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

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

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

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

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

	Construction & Development			Commercial Non-owner Occupied			Commercial Owner Occupied		
(Dollars in thousands)	**March 31, 2013**	**December 31, 2012**	**March 31, 2012**	**March 31, 2013**	**December 31, 2012**	**March 31, 2012**	**March 31, 2013**	**December 31, 2012**	**March 31, 2012**
Pass	**$ 221,162**	$ 215,793	$ 219,893	**$ 242,738**	$ 232,714	$ 223,277	**$ 735,463**	$ 716,578	$ 666,023
Special mention	**29,006**	31,670	33,009	**36,901**	38,473	39,576	**28,262**	31,800	33,166
Substandard	**23,320**	25,957	41,963	**19,068**	18,884	21,191	**32,414**	35,774	45,252
Doubtful									
	$ 273,488	$ 273,420	$ 294,865	**$ 298,707**	$ 290,071	$ 284,044	**$ 796,139**	$ 784,152	$ 744,441

Commercial & Industrial			Other Income Producing Property			Commercial Total		
March 31, 2013	**December 31, 2012**	**March 31, 2012**	**March 31, 2013**	**December 31, 2012**	**March 31, 2012**	**March 31, 2013**	**December 31, 2012**	**March 31, 2012**

Pass	**$ 270,759**	$ 265,148	$ 199,147	**$ 112,843**	$ 114,809	$ 110,120	**$ 1,582,965**	$ 1,545,042	$ 1,418,460
Special mention	**11,400**	8,626	10,964	**9,596**	9,324	9,151	**115,165**	119,893	125,866
Substandard	**9,149**	5,989	5,972	**9,337**	9,580	10,906	**93,288**	96,184	125,284
Doubtful									
	$ 291,308	$ 279,763	$ 216,083	**$ 131,776**	$ 133,713	$ 130,177	**$ 1,791,418**	$ 1,761,119	$ 1,669,610

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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:

	Consumer Owner Occupied			Home Equity			Consumer		
(Dollars in thousands)	March 31, 2013	December 31, 2012	March 31, 2012	March 31, 2013	December 31, 2012	March 31, 2012	March 31, 2013	December 31, 2012	March 31, 2012
Pass	**$ 397,998**	$ 388,822	$ 359,701	**$ 235,428**	$ 241,184	$ 240,251	**$ 92,698**	$ 85,517	$ 84,223
Special mention	**23,410**	24,515	24,079	**8,150**	7,837	11,357	**869**	897	703
Substandard	**21,148**	21,166	23,917	**5,754**	6,239	6,446	**430**	519	424
Doubtful	**578**			**24**	24			1	
	$ 443,134	$ 434,503	$ 407,697	**$ 249,356**	$ 255,284	$ 258,054	**$ 93,997**	$ 86,934	$ 85,350

	Other			Consumer Total		
	March 31, 2013	December 31, 2012	March 31, 2012	March 31, 2013	December 31, 2012	March 31, 2012
Pass	**$ 26,393**	$ 33,163	$ 16,603	**$ 752,517**	$ 748,686	$ 700,778
Special mention				**32,429**	33,249	36,139
Substandard				**27,332**	27,924	30,787
Doubtful				**602**	25	
	$ 26,393	$ 33,163	$ 16,603	**$ 812,880**	$ 809,884	$ 767,704

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

	Total Non-acquired Loans		
(Dollars in thousands)	March 31, 2013	December 31, 2012	March 31, 2012
Pass	**$ 2,335,482**	$ 2,293,728	$ 2,119,238
Special mention	**147,594**	153,142	162,005
Substandard	**120,620**	124,108	156,071
Doubtful	**602**	25	
	$ 2,604,298	$ 2,571,003	$ 2,437,314

At March 31, 2013, the aggregate amount of non-acquired substandard and doubtful loans totaled $121.2 million. When these loans are combined with non-acquired OREO of $19.7 million, our non-acquired classified assets (as defined by the state of South Carolina and the FDIC, our primary federal regulators) were $140.9 million. At December 31, 2012, the amounts were $124.1 million, $19.1 million, and $143.2 million, respectively. At March 31, 2012, the amounts were $156.1 million, $21.4 million, and $177.5 million, respectively.

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Note 6 Loans and Allowance for Loan Losses (Continued)

The following table presents the credit risk profile by risk grade of covered acquired loans, net of the related discount (this table should be read in conjunction with the allowance for acquired loan losses table found on page 21):

	Commercial Loans Greater Than or Equal to $1 million-CBT			Commercial Real Estate			Commercial Real Estate Construction and Development		
(Dollars in thousands)	**March 31, 2013**	**December 31, 2012**	**March 31, 2012**	**March 31, 2013**	**December 31, 2012**	**March 31, 2012**	**March 31, 2013**	**December 31, 2012**	**March 31, 2012**
Pass	**$ 14,505**	$ 14,355	$ 15,947	**$ 21,208**	$ 22,687	$ 31,213	**$ 7,042**	$ 7,134	$ 9,168
Special mention	**3,476**	3,470	4,665	**10,078**	10,609	21,412	**2,702**	3,474	7,079
Substandard	**30,129**	31,859	35,704	**21,539**	29,501	46,774	**17,168**	21,154	25,331
Doubtful				**147**	165	435	**745**	813	2,678
	$ 48,110	$ 49,684	$ 56,316	**$ 52,972**	$ 62,962	$ 99,834	**$ 27,657**	$ 32,575	$ 44,256

	Residential Real Estate			Consumer			Commercial & Industrial		
	March 31, 2013	**December 31, 2012**	**March 31, 2012**	**March 31, 2013**	**December 31, 2012**	**March 31, 2012**	**March 31, 2013**	**December 31, 2012**	**March 31, 2012**
Pass	**$ 37,403**	$ 41,907	$ 48,349	**$ 1,912**	$ 2,215	$ 2,797	**$ 7,710**	$ 8,073	$ 6,552
Special mention	**18,984**	20,915	25,117	**536**	574	764	**3,816**	3,744	4,529
Substandard	**40,990**	41,963	51,572	**1,397**	1,534	2,317	**10,422**	11,753	11,242
Doubtful	**395**	26	3,172		1	267	**30**	30	567
	$ 97,772	$ 104,811	$ 128,210	**$ 3,845**	$ 4,324	$ 6,145	**$ 21,978**	$ 23,600	$ 22,890

	Single Pay		
	March 31, 2013	**December 31, 2012**	**March 31, 2012**
Pass	**$ 60**	$ 57	$ 730
Special mention	**51**	52	56
Substandard	**4,621**	4,663	4,614
Doubtful			
	$ 4,732	$ 4,772	$ 5,400

The following table presents the credit risk profile by risk grade of non-covered acquired loans, net of the related discount (this table should be read in conjunction with the allowance for acquired loan losses table found on page 21):

	Commercial Real Estate			Commercial Real Estate Construction and Development			Residential Real Estate		
(Dollars in thousands)	**March 31, 2013**	**December 31, 2012**	**March 31, 2012**	**March 31, 2013**	**December 31, 2012**	**March 31, 2012**	**March 31, 2013**	**December 31, 2012**	**March 31, 2012**
Pass	**$ 162,681**	$ 274,721	$ 923	**$ 30,563**	$ 80,008	$ 79	**$ 147,347**	$ 213,069	$ 766
Special mention	**51,828**	11,670	40	**16,293**	4,268		**32,752**	17,324	
Substandard	**79,757**	23,571		**35,398**	13,600	4	**58,074**	19,923	213
Doubtful				**148**			**85**		
	$ 294,266	$ 309,962	$ 963	**$ 82,402**	$ 97,876	$ 83	**$ 238,258**	$ 250,316	$ 979

	Consumer	Commercial & Industrial	FASB ASC Topic 310-20 Loans

	March 31, 2013	December 31, 2012	March 31, 2012	March 31, 2013	December 31, 2012	March 31, 2012	March 31, 2013	December 31, 2012	March 31, 2012
Pass	**$ 8,302**	$ 10,712	$ 1,920	**$ 32,419**	$ 45,973	$ 1,027	**$ 52,840**	$ 71,174	$
Special mention	**398**	209	160	**6,940**	1,549	515	**10,877**	574	
Substandard	**623**	440	358	**4,347**	1,762	88	**6,517**	1,467	
Doubtful									
	$ 9,323	$ 11,361	$ 2,438	**$ 43,706**	$ 49,284	$ 1,630	**$ 70,234**	$ 73,215	$

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, covered acquired loans are initially 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 and the allowance for loan losses on covered acquired loans, the Company s risk of loss is mitigated by the FDIC loss share arrangement.

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Note 6 Loans and Allowance for Loan Losses (Continued)

The following table presents an aging analysis of past due loans, segregated by class for non-acquired loans:

(Dollars in thousands)	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total Past Due	Current	Total Loans
March 31, 2013						
Commercial real estate:						
Construction and land development	**$ 121**	**$ 176**	**$ 7,609**	**$ 7,906**	**$ 265,582**	**$ 273,488**
Commercial non-owner occupied	**699**	**85**	**4,236**	**5,020**	**293,687**	**298,707**
Commercial owner occupied	**2,138**	**1,482**	**7,708**	**11,328**	**784,811**	**796,139**
Consumer real estate:						
Consumer owner occupied	**1,631**	**516**	**3,425**	**5,572**	**437,562**	**443,134**
Home equity loans	**1,035**	**66**	**354**	**1,455**	**247,901**	**249,356**
Commercial and industrial	**302**	**970**	**703**	**1,975**	**289,333**	**291,308**
Other income producing property	**907**	**9**	**2,351**	**3,267**	**128,509**	**131,776**
Consumer	**384**	**12**	**66**	**462**	**93,535**	**93,997**
Other loans	**56**	**22**	**24**	**102**	**26,291**	**26,393**
	$ 7,273	**$ 3,338**	**$ 26,476**	**$ 37,087**	**$ 2,567,211**	**$ 2,604,298**
December 31, 2012						
Commercial real estate:						
Construction and land development	$ 812	$ 701	$ 10,435	$ 11,948	$ 261,472	$ 273,420
Commercial non-owner occupied	1,013	572	3,605	5,190	284,881	290,071
Commercial owner occupied	1,141	40	9,827	11,008	773,144	784,152
Consumer real estate:						
Consumer owner occupied	1,433	241	4,045	5,719	428,784	434,503
Home equity loans	735	170	395	1,300	253,984	255,284
Commercial and industrial	1,187	513	549	2,249	277,514	279,763
Other income producing property	322	278	3,253	3,853	129,860	133,713
Consumer	364	151	112	627	86,307	86,934
Other loans	49	41	36	126	33,037	33,163
	$ 7,056	$ 2,707	$ 32,257	$ 42,020	$ 2,528,983	$ 2,571,003
March 31, 2012						
Commercial real estate:						
Construction and land development	$ 2,192	$ 866	$ 17,237	$ 20,295	$ 274,570	$ 294,865
Commercial non-owner occupied	166	359	5,615	6,140	277,904	284,044
Commercial owner occupied	1,126	403	13,730	15,259		