SCBT FINANCIAL CORP
Form 10-K
March 09, 2012

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ý **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the fiscal year ended December 31, 2011

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

(800) 277-2175
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12 (b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common stock, $2.50 par value per share	The NASDAQ Global Select Market[SM]

Securities registered pursuant to Section 12 (g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No ý.

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No ý.

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 ý No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 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 ý No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. 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 ý	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

The aggregate market value of the voting stock of the registrant held by non-affiliates was $385,136,000 based on the closing sale price of $28.68 per share on June 30, 2011. For purposes of the foregoing calculation only, all directors and executive officers of the registrant have been deemed affiliates. The number of shares of common stock outstanding as of March 2, 2012 was 14,056,363.

Documents Incorporated by Reference

Portions of the Registrant's Definitive Proxy Statement for its 2012 Annual Meeting of Shareholders are incorporated by reference into Part III, Items 10 - 14 of this form 10-K.

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SCBT Financial Corporation

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(1) All or portions of this item are incorporated by reference to the Registrant's Definitive Proxy Statement for its 2012 Annual Meeting of Shareholders.

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Forward-Looking Statements

The disclosures set forth in this Report are qualified by Part I, Item 1A. Risk Factors and the section captioned "Forward-Looking Statements" in Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations of this Report and other cautionary statements set forth elsewhere in this Report.

PART I

Item 1. Business.

SCBT Financial Corporation ("SCBT"), headquartered in Columbia, South Carolina, is a bank holding company incorporated in 1985 under the laws of South Carolina. We were formerly named First National Corporation until February 2004. We provide a wide range of banking services and products to our customers through our wholly-owned subsidiary, SCBT, N.A. (which we sometimes refer to as "our bank" or "the bank"), a national bank that opened for business in 1934. We operate as South Carolina Bank and Trust, North Carolina Bank and Trust ("NCBT"), and Community Bank and Trust ("CBT"). NCBT and CBT are divisions of SCBT, N.A.

SCBT is a legal entity separate and distinct from its bank subsidiary. We coordinate the financial resources of the consolidated enterprise and thereby maintain financial, operation and administrative systems that allow centralized evaluation of subsidiary operations and coordination of selected policies and activities. SCBT's operating revenues and net income are derived primarily from cash dividends received from our bank subsidiary.

Our bank provides a full range of retail and commercial banking services, mortgage lending services, trust and investment services, and consumer finance loans through 45 financial centers in 16 South Carolina counties, 3 financial centers in Mecklenburg County of North Carolina, and 22 financial centers in 10 counties in Northeast Georgia. Our bank has served the Carolinas for more than 77 years. At December 31, 2011, we had approximately $3.9 billion in assets, $2.8 billion in loans, $3.3 billion in deposits, $381.8 million in shareholders' equity, and market capitalization of $407.3 million.

We began operating in 1934 in Orangeburg, South Carolina and have maintained our ability to provide superior customer service while also leveraging our size to offer many products more common to super-regional banks. We have pursued a growth strategy that relies primarily on organic growth, supplemented by the acquisition of select financial institutions or branches in certain market areas.

In recent years, we have continued to grow our business in South Carolina, and have expanded into North Carolina and Georgia, as highlighted below:

December 19, 2011 entered into an Agreement and Plan of Merger with Peoples Bancorporation, Inc. ("Peoples"), an Easley, South Carolina headquartered bank holding company for The Peoples National Bank ("PNB"), Bank of Anderson ("BOA"), and Seneca National Bank ("SNB").

July 29, 2011 acquired all of the deposits, certain other borrowings, and certain assets of BankMeridian, a full service community bank headquartered in Columbia, South Carolina, in a Federal Deposit Insurance Corporation ("FDIC") -assisted transaction. The transaction initially added three banking locations in total in Columbia, Spartanburg, and Hilton Head Island, South Carolina.

February 18, 2011 acquired all of the deposits, certain other borrowings, and certain assets of Habersham, a full service Georgia-state-chartered community bank headquartered in Clarkesville, Georgia in a FDIC-assisted transaction. The transaction initially added eight banking locations in Northeast Georgia.

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November 2010 Spartanburg Wealth Management office expanded its services to include a full-service branch.

January 29, 2010 acquired all of the deposits excluding brokered deposits, certain other borrowings, and certain assets of CBT, a full service Georgia-state-chartered community bank headquartered in Cornelia, Georgia in a FDIC-assisted transaction. The transaction initially added 38 locations, including 36 banking, one trust office, and one loan production office ("LPO") in Northeast Georgia. CBT operates as a division of SCBT, N.A.

November 2009 our Wealth Management department hired the former Wachovia regional executive team to lead our entry into the Spartanburg, South Carolina market.

November 2009 opened a full-service branch in Mt. Pleasant, South Carolina which replaced an LPO located on Daniel Island, South Carolina.

Our principal executive offices are located at 520 Gervais Street, Columbia, South Carolina 29201. Our mailing address at this facility is Post Office Box 1030, Columbia, South Carolina 29202 and our telephone number is (800) 277-2175.

Withstanding Market Turbulence

Despite the turbulence in financial markets and the financial services industry, we believe that our credit quality measures continue to outperform those of the majority of our primary competitors in North and South Carolina and Georgia. We attribute this historical performance to sound credit underwriting and risk selection, as well as our approach of hiring experienced financial services professionals in the markets in which we operate. Generally, hiring bankers in the markets in which we operate has enabled us to further our growth without experiencing significant credit quality related losses like many other financial institutions of similar size or that operate in our market areas.

Available Information

We provide our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act") on our website at www.scbtonline.com. These filings are made accessible as soon as reasonably practicable after they have been filed electronically with the Securities and Exchange Commission (the "SEC"). These filings are also accessible on the SEC's website at www.sec.gov. In addition, we make available on our website the following: (i) Corporate Governance Guidelines, (ii) Code of Conduct & Ethics, which applies to our directors and all employees, and (iii) the charters of the Audit, Compensation, Executive, Wealth Management and Trust, and Corporate Governance & Nominating Committees of our board of directors. These materials are available to the general public on our website free of charge. Printed copies of these materials are also available free of charge to shareholders who request them in writing. Please address your request to: Financial Management Division, SCBT Financial Corporation, 520 Gervais Street, Columbia, South Carolina 29201. Statements of beneficial ownership of equity securities filed by directors, officers, and 10% or greater shareholders under Section 16 of the Exchange Act are also available through our website, www.scbtonline.com. The information on our website is not incorporated by reference into this report.

Territory Served and Competition

We serve customers and conduct our business through the Bank from seventy financial centers in 16 South Carolina counties, Mecklenburg County of North Carolina, and 10 northeast Georgia counties. NCBT and CBT are divisions of SCBT, N.A. NCBT operates from three financial centers in

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Mecklenburg County of North Carolina; and CBT operates from 22 financial centers in 10 Northeast Georgia counties.

We compete in the highly competitive banking and financial services industry. Our profitability depends principally on our ability to effectively compete in the markets in which we conduct business. We expect competition in the industry to continue to increase as a result of consolidation among banking and financial services firms. Competition may further intensify as additional companies enter the markets where we conduct business and we enter mature markets in accordance with our expansion strategy.

We experience strong competition from both bank and non-bank competitors in certain markets. Broadly speaking, we compete with national banks, super-regional banks, smaller community banks, and non-traditional internet-based banks. We compete for deposits and loans with commercial banks, savings institutions, and credit unions. In addition, we compete with other financial intermediaries and investment alternatives such as mortgage companies, credit card issuers, leasing companies, finance companies, money market mutual funds, brokerage firms, governmental and corporation bonds, and other securities firms. Many of these non-bank competitors are not subject to the same regulatory oversight, affording them a competitive advantage in some instances. In many cases, our competitors have substantially greater resources, can provide higher lending limits, and offer certain services that we are unable to provide to our customers.

We encounter strong competition in making loans and attracting deposits. We compete with other financial institutions to offer customers competitive interest rates on deposit accounts, competitive interest rates charged on loans and other credit, and reasonable service charges. We believe our customers also consider the quality and scope of the services provided, the convenience of banking facilities, and relative lending limits in the case of loans to commercial borrowers. Our customers may also take into account the fact that other banks offer different services from those that we provide. The large national and super-regional banks may have significantly greater lending limits and may offer additional products. However, by emphasizing customer service and by providing a wide variety of services, we believe that SCBT has been able to compete successfully with our competitors, regardless of their size.

Employees

As of December 31, 2011, our bank had 1,071 full-time equivalent employees compared to 1,015 as of the same date in 2010. We consider our relationship with our employees instrumental to the success of our business. We provide our employees with a comprehensive employee benefit program which includes the following: group life, health and dental insurance, paid vacation, sick leave, educational opportunities, a cash incentive plan, a stock purchase plan, stock incentive, deferred compensation plans for officers and key employees, a defined benefit pension plan for employees hired on or before December 31, 2005 (except for employees acquired in the SunBank acquisition), and a 401(k) plan with employer match.

Regulation and Supervision

As a financial institution, we operate under a regulatory framework. The framework outlines a regulatory environment applicable to financial holding companies, bank holding companies, and their subsidiaries. Below, we have provided some specific information relevant to SCBT. The regulatory framework under which we operate is intended primarily for the protection of depositors and the FDIC's Deposit Insurance Fund and not for the protection of our security holders and creditors. To the extent that the following information describes statutory and regulatory provisions, it is qualified in its entirety by reference to the particular statutory and regulatory provisions.

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General

The current regulatory environment for financial institutions includes substantial enforcement activity by the federal banking agencies, the U.S. Department of Justice, the SEC, and other state and federal law enforcement agencies, reflecting an increase in activity over prior years. This environment entails significant potential increases in compliance requirements and associated costs.

We are a bank holding company registered with the Board of Governors of the Federal Reserve System and are subject to the supervision of, and to regular inspection by, the Federal Reserve Board. Our bank is organized as a national banking association. It is subject to regulation, supervision, and examination by the Office of the Comptroller of the Currency (the "OCC"). In addition, SCBT and our Bank are subject to regulation (and in certain cases examination) by the FDIC, other federal regulatory agencies, the South Carolina State Board of Financial Institutions (the "State Board"), the North Carolina Office of the Commissioner of Banks, and the Georgia Department of Banking and Finance. The following discussion summarizes certain aspects of banking and other laws and regulations that affect SCBT and our subsidiary bank.

Under the Bank Holding Company Act (the "BHC Act"), our activities and those of our subsidiary bank are limited to banking, managing or controlling banks, furnishing services to or performing services for our subsidiary bank, or any other activity which the Federal Reserve Board determines to be so closely related to banking or managing or controlling banks as to be a proper incident thereto. The BHC Act requires prior Federal Reserve Board approval for, among other things, the acquisition by a bank holding company of direct or indirect ownership or control of more than 5% of the voting shares or substantially all the assets of any bank, or for a merger or consolidation of a bank holding company with another bank holding company. The BHC Act also prohibits a bank holding company from acquiring direct or indirect control of more than 5% of the outstanding voting stock of any company engaged in a non-banking business unless such business is determined by the Federal Reserve Board to be so closely related to banking as to be a proper incident thereto. Further, under South Carolina law, it is unlawful without the prior approval of the State Board for any South Carolina bank holding company (i) to acquire direct or indirect ownership or control of more than 5% of the voting shares of any bank or any other bank holding company, (ii) to acquire all or substantially all of the assets of a bank or any other bank holding company, or (iii) to merge or consolidate with any other bank holding company.

The Gramm-Leach-Bliley Act amended a number of federal banking laws affecting SCBT and our bank. In particular, the Gramm-Leach-Bliley Act permits a bank holding company to elect to become a "financial holding company," provided certain conditions are met. A financial holding company, and the companies it controls, are permitted to engage in activities considered "financial in nature" as defined by the Gramm-Leach-Bliley Act and Federal Reserve Board interpretations (including, without limitation, insurance and securities activities), and therefore may engage in a broader range of activities than permitted by bank holding companies and their subsidiaries. We remain a bank holding company, but may at some time in the future elect to become a financial holding company.

Interstate Banking

National banks are required by the National Bank Act to adhere to branch office banking laws applicable to state banks in the states in which they are located. In July 1994, South Carolina enacted legislation which effectively provided that, after June 30, 1996; out-of-state bank holding companies may acquire other banks or bank holding companies in South Carolina, subject to certain conditions. Further, pursuant to the Riegel-Neal Interstate Banking and Branching Efficiency Act of 1994 (the "Interstate Banking and Branching Act"), a bank holding company became able to acquire banks in states other than its home state, beginning in September 1995, without regard to the permissibility of such acquisition under state law, subject to certain exceptions. The Interstate Banking and Branching

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Act also authorized banks to merge across state lines, thereby creating interstate branches, unless a state, prior to the July 1, 1997 effective date, determined to "opt out" of coverage under this provision. In addition, the Interstate Banking and Branching Efficiency Act authorized a bank to open new branches in a state in which it does not already have banking operations if such state enacted a law permitting such "de novo" branching.

Effective July 1, 1996, South Carolina law was amended to permit interstate branching through acquisitions but not de novo branching by an out-of-state bank.

North Carolina opted-in to the provision of the Interstate Banking and Branching Act that allows out-of-state banks to branch into their state by establishing a de novo branch in the state, but only on a reciprocal basis. This means that an out-of-state bank could establish a de novo branch in North Carolina only if the home state of such bank would allow North Carolina banks (including national banks with their home office in North Carolina) to establish de novo branches in that home state under substantially the same terms as allowed in North Carolina. Because some states imposed greater limits on de novo branching by out-of-state banks, prior to the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), this provided a limited barrier of entry into the North Carolina banking market.

Georgia did not opt-in to the provision allowing out-of-state banks to branch into their state. Therefore, prior to the Dodd-Frank Act, interstate merger was the only method through which a bank located outside of Georgia could branch into Georgia, which in effect provided a limited barrier of entry into the Georgia banking market.

On July 21, 2010, the U.S. President signed into law the Dodd-Frank Act. The Dodd-Frank Act removes previous state law restrictions on de novo interstate branching in states such as South Carolina, North Carolina, and Georgia. This change effectively permits out-of-state banks to open de novo branches in states where the laws of the state where the de novo to be opened would permit a bank chartered by that sate to open a de novo branch.

Obligations of Holding Company to its Subsidiary Banks

Under the policy of the Federal Reserve Board, a bank holding company is required to serve as a source of financial strength to its subsidiary depository institutions and to commit resources to support such institutions in circumstances where it otherwise might not desire or be able to do so. Under the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA"), to avoid receivership of its insured depository institution subsidiary, a bank holding company is required to guarantee the compliance of any insured depository institution subsidiary that may become "undercapitalized" within the terms of any capital restoration plan filed by such subsidiary with its appropriate federal banking agency up to the lesser of (i) an amount equal to 5% of the institution's total assets at the time the institution became undercapitalized, or (ii) the amount which is necessary (or would have been necessary) to bring the institution into compliance with all applicable capital standards as of the time the institution fails to comply with such capital restoration plan.

In addition, the "cross-guarantee" provisions of the Federal Deposit Insurance Act, as amended ("FDIA"), require insured depository institutions under common control to reimburse the FDIC for any loss suffered or reasonably anticipated by the FDIC as a result of the default of a commonly controlled insured depository institution or for any assistance provided by the FDIC to a commonly controlled insured depository institution in danger of default. The FDIC's claim for damages is superior to claims of shareholders of the insured depository institution or its holding company, but is subordinate to claims of depositors, secured creditors and holders of subordinated debt (other than affiliates) of the commonly controlled insured depository institutions.

The FDIA also provides that amounts received from the liquidation or other resolution of any insured depository institution by any receiver must be distributed (after payment of secured claims) to pay the deposit liabilities of the institution prior to payment of any other general or unsecured senior liability, subordinated liability, general creditor or shareholder. This provision would give depositors a preference over general and subordinated creditors and shareholders in the event a receiver is appointed to distribute the assets of our bank.

Any capital loans by a bank holding company to any of its subsidiary banks are subordinate in right of payment to deposits and to certain other indebtedness of such subsidiary bank. In the event of a bank holding company's bankruptcy, any commitment by the bank holding company to a federal bank regulatory agency to maintain the capital of a subsidiary bank will be assumed by the bankruptcy trustee and entitled to a priority of payment.

Under the National Bank Act, if the capital stock of a national bank is impaired by losses or otherwise, the OCC is authorized to require payment of the deficiency by assessment upon the bank's shareholders, pro rata, and if any such assessment is not paid by any shareholder after three months' notice, to sell the stock of such shareholder to make good the deficiency.

Government Actions

The following is a summary of certain recently enacted laws and regulations that could materially impact our business, financial condition or results of operations.

In response to the challenges facing the financial services sector, several regulatory and governmental actions have recently been announced including:

- The Emergency Economic Stabilization Act of 2008 ("EESA"), approved by Congress and signed by President Bush on October 3, 2008, which, among other provisions, allowed the U.S. Treasury to purchase up to $700 billion of mortgages, mortgage-backed securities and certain other financial instruments from financial institutions for the purpose of stabilizing and providing liquidity to the U.S. financial markets. EESA also temporarily raised the basic limit of FDIC deposit insurance from $100,000 to $250,000;

- On October 7, 2008, the FDIC approved a plan to increase the rates banks pay for deposit insurance (see page 16, "Insurance of Deposits");

- On October 14, 2008, the U.S. Treasury announced the creation of a new program, the Troubled Asset Relief Program (the "TARP") Capital Purchase Program (the "CPP") that encourages and allows financial institutions to build capital through the sale of senior preferred shares to the U.S. Treasury on terms that are non-negotiable. During the second quarter of 2009, we repurchased from the U.S. Treasury the preferred stock and common stock warrant that we issued to it on January 16, 2009;

- On February 10, 2009, the U.S. Treasury announced the Financial Stability Plan, which earmarked $350 billion of the TARP funds authorized under EESA. Among other things, the Financial Stability Plan included:

  - A capital assistance program that invested in mandatory convertible preferred stock of certain qualifying institutions determined on a basis and through a process similar to the Capital Purchase Program;

  - A consumer and business lending initiative to fund new consumer loans, small business loans and commercial mortgage asset-backed securities issuances;

- A public-private investment fund program that is intended to leverage public and private capital with public financing to purchase up to $500 billion to $1 trillion of legacy "toxic assets" from financial institutions; and

- Assistance for homeowners by providing up to $75 billion to reduce mortgage payments and interest rates and establishing loan modification guidelines for government and private programs.

On February 17, 2009, the American Recovery and Reinvestment Act (the "Recovery Act") became law. The Recovery Act specifies appropriations of approximately $787 billion for a wide range of Federal programs and increases or extends certain benefits payable under the Medicaid, unemployment compensation, and nutrition assistance programs. The Recovery Act also reduces individual and corporate income tax collections and makes a variety of other changes to tax laws. The Recovery Act also imposes certain limitations on compensation paid by participants in the U.S. Treasury's TARP.

On May 22, 2009, the FDIC levied a one-time special assessment on all banks due on September 30, 2009.

In November 2009, the FDIC announced a final rule to require FDIC insured banks to prepay the fourth quarter assessment and the next three years assessment by December 31, 2009. The calculation of the prepaid assessment provides for a 5% growth rate assumption in the deposit base and a three basis point increase in FDIC assessments in 2011 and 2012. See page 16 under "Insurance of Deposits" for more information.

In June 2010, the Federal Reserve Board, the FDIC and the OCC issued a comprehensive final guidance on incentive compensation policies intended to ensure that the incentive compensation policies of banking organizations do not undermine the safety and soundness of such organizations by encouraging excessive risk-taking. See page 17 under "Incentive Compensation" for more information.

On July 21, 2010, the U.S. President signed into law the Dodd-Frank Act. The Dodd-Frank Act is intended to affect a fundamental restructuring of federal banking. Among other things, the Dodd-Frank Act creates a new Financial Stability Oversight Council to identify systemic risks in the financial system and gives federal regulators new authority to take control of and liquidate financial firms. The Dodd-Frank Act also creates a new independent federal regulator to administer federal consumer protection laws. Many of the provisions of the Dodd-Frank Act have delayed effective dates and the legislation requires various federal agencies to promulgate numerous and extensive implementing regulations over the next several years. Although the substance and scope of these regulations cannot be completely determined at this time, it is expected that the legislation and implementing regulations will increase our operating and compliance costs. The following discussion summarizes certain significant aspects of the Dodd-Frank Act:

- The Dodd-Frank Act requires the Federal Reserve Board to apply consolidated capital requirements to depository institution holding companies that are no less stringent than those currently applied to depository institutions. Under these standards, trust preferred securities will be excluded from Tier 1 capital unless such securities were issued prior to May 19, 2010 by a bank holding company with less than $15 billion in assets. The Dodd-Frank Act additionally requires capital requirements to be countercyclical so that the required amount of capital increases in times of economic expansion and decreases in times of economic contraction, consistent with safety and soundness.

- The Dodd-Frank Act permanently increases the maximum deposit insurance amount for financial institutions to $250,000 per depositor, and extends unlimited deposit insurance to

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noninterest bearing transaction accounts through December 31, 2012. The Dodd-Frank Act also broadens the base for FDIC insurance assessments. Assessments will now be based on the average consolidated total assets less tangible equity capital of a financial institution. The Dodd-Frank Act requires the FDIC to increase the reserve ratio of the Deposit Insurance Fund from 1.15% to 1.35% of insured deposits by September 30, 2020 and eliminates the requirement that the FDIC pay dividends to insured depository institutions when the reserve ratio exceeds certain thresholds. The Dodd-Frank Act requires the FDIC to offset the effect of increasing the reserve ratio on institutions with total consolidated assets of less than $10 billion, such as SCBT. Effective as of July 21, 2011, the Dodd-Frank Act eliminated the federal statutory prohibition against the payment of interest on business checking accounts.

The Dodd-Frank Act requires publicly traded companies to give stockholders a non-binding vote on executive compensation at their first annual meeting taking place six months after the date of enactment and at least every three years thereafter and on so-called "golden parachute" payments in connection with approvals of mergers and acquisitions unless previously voted on by shareholders. The new legislation also authorizes the SEC to promulgate rules that would allow shareholders to nominate their own candidates using a company's proxy materials. Additionally, the Dodd-Frank Act directs the federal banking regulators to promulgate rules prohibiting excessive compensation paid to executives of depository institutions and their holding companies with assets in excess of $1.0 billion, regardless of whether the institution is publicly traded or not. The Dodd-Frank Act gives the SEC authority to prohibit broker discretionary voting on elections of directors and executive compensation matters.

Effective as of July 21, 2011, the Dodd-Frank Act prohibits a depository institution from converting from a state to federal charter or vice versa while it is the subject of a cease and desist order or other formal enforcement action or a memorandum of understanding with respect to a significant supervisory matter unless the appropriate federal banking agency gives notice of the conversion to the federal or state authority that issued the enforcement action and that agency does not object within 30 days. The notice must include a plan to address the significant supervisory matter. The converting institution must also file a copy of the conversion application with its current federal regulator which must notify the resulting federal regulator of any ongoing supervisory or investigative proceedings that are likely to result in an enforcement action and provide access to all supervisory and investigative information relating hereto.

The Dodd-Frank Act authorizes national and state banks to establish branches in other states to the same extent as a bank chartered by that state would be permitted to branch. Previously, banks could only establish branches in other states if the host state expressly permitted out-of-state banks to establish branches in that state. Accordingly, banks will be able to enter new markets more freely.

Effective as of July 21, 2011, the Dodd-Frank Act expands the definition of affiliate for purposes of quantitative and qualitative limitations of Section 23A of the Federal Reserve Act to include mutual funds advised by a depository institution or its affiliates. The Dodd-Frank Act will apply Section 23A and Section 22(h) of the Federal Reserve Act (governing transactions with insiders) to derivative transactions, repurchase agreements and securities lending and borrowing transaction that create credit exposure to an affiliate or an insider. Any such transactions with affiliates must be fully secured. The current exemption from Section 23A for transactions with financial subsidiaries will be eliminated. The Dodd-Frank Act will additionally prohibit an insured depository institution from purchasing an asset from or selling an asset to an insider unless the transaction is on market terms and, if

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representing more than 10% of capital, is approved in advance by the disinterested directors.

The Dodd-Frank Act requires that the amount of any interchange fee charged by a debit card issuer with respect to a debit card transaction must be reasonable and proportional to the cost incurred by the issuer. Effective on October 1, 2011, the Federal Reserve Board set new caps on interchange fees at $0.21 per transaction, plus an additional 5 basis-point charge per transaction to help cover fraud losses. An additional $0.01 per transaction is allowed if certain fraud-monitoring controls are in place. While the restrictions on interchange fees do not apply to banks that, together with their affiliates, have assets of less than $10 billion, such as SCBT, the new restrictions could negatively impact bank card services income for smaller banks if the reductions that are required of larger banks cause industry-wide reduction of swipe fees.

The Dodd-Frank Act creates a new, independent federal agency called the Consumer Financial Protection Bureau ("CFPB"), which is granted broad rulemaking, supervisory and enforcement powers under various federal consumer financial protection laws, including the Equal Credit Opportunity Act, Truth in Lending Act, Real Estate Settlement Procedures Act, Fair Credit Reporting Act, Fair Debt Collection Act, the Consumer Financial Privacy provisions of the Gramm-Leach-Bliley Act and certain other statutes. The CFPB will have examination and primary enforcement authority with respect to depository institutions with $10 billion or more in assets. Depository institutions with less than $10 billion in assets, such as our bank, will be subject to rules promulgated by the CFPB but will continue to be examined and supervised by federal banking regulators for consumer compliance purposes. The CFPB will have authority to prevent unfair, deceptive or abusive practices in connection with the offering of consumer financial products. The Dodd-Frank Act authorizes the CFPB to establish certain minimum standards for the origination of residential mortgages including a determination of the borrower's ability to repay. In addition, the Dodd-Frank Act will allow borrowers to raise certain defenses to foreclosure if they receive any loan other than a "qualified mortgage" as defined by the CFPB. The Dodd-Frank Act permits states to adopt consumer protection laws and standards that are more stringent than those adopted at the federal level and, in certain circumstances, permits state attorneys general to enforce compliance with both the state and federal laws and regulations.

The Basel Committee on Banking Supervision (the "Basel Committee") released in December 2010 revised final frameworks for the regulation of capital and liquidity of internationally active banking organizations. These new frameworks are generally referred to as "Basel III". Although the U.S. banking agencies have not yet published a notice of proposed rulemaking to implement Basel III in the United States, they are likely to do so (at least with respect to the Basel III capital) during the 2012.

Although it is likely that further regulatory actions may arise as the Federal government continues to attempt to address the economic situation, we cannot predict the effect that fiscal or monetary policies, economic control, or new federal or state legislation may have on our business and earnings in the future.

Participation in the Capital Purchase Program of the Troubled Asset Relief Program

As discussed above, under TARP authorized by the EESA, the U.S. Treasury established the CPP providing for the purchase of senior preferred shares of qualifying U.S. controlled banks, savings associations and certain bank and savings and loan holding companies. On January 16, 2009, pursuant to the CPP, SCBT sold 64,779 shares of Fixed Rate Cumulative Perpetual Preferred Stock, Series T

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(the "Series T Preferred Stock") and a warrant to acquire 303,083 shares of common stock (the "Warrant") to the U.S. Treasury for aggregate consideration of $64.8 million. On May 20, 2009, we entered into a repurchase letter agreement with the U. S. Treasury, pursuant to which we repurchased all 64,779 shares of its Series T Preferred Stock for an aggregate purchase price of approximately $64.8 million, which included accrued and unpaid dividends of approximately $45,000. On June 24, 2009, we entered into an agreement with the U.S. Treasury to repurchase the Warrant for a purchase price of $1.4 million. As a result of the Warrant repurchase, we have repurchased all securities issued to the U.S. Treasury under the CPP.

Capital Adequacy

The various federal bank regulators, including the Federal Reserve Board and the OCC, have adopted risk-based capital requirements for assessing bank holding company and bank capital adequacy. These standards define what qualifies as capital and establish minimum capital standards in relation to assets and off-balance sheet exposures, as adjusted for credit risks. Capital is classified into tiers. For bank holding companies, Tier 1 or "core" capital consists primarily of common and qualifying preferred shareholders' equity, less certain intangibles and other adjustments ("Tier 1 Capital"). Tier 2 capital consists primarily of the allowance for possible loan losses (subject to certain limitations) and certain subordinated and other qualifying debt ("Tier 2 Capital"). Tier 3 capital consists primarily of qualifying unsecured subordinated debt. A minimum ratio of total capital to risk-weighted assets of 8.00% is required and Tier 1 Capital must be at least 50% of total capital. The Federal Reserve Board also has adopted a minimum leverage ratio of Tier 1 Capital to adjusted average total assets (not risk-weighted) of 3%. The 3% Tier 1 Capital to average total assets ratio constitutes the leverage standard for bank holding companies and national banks, and is used in conjunction with the risk based ratio in determining the overall capital adequacy of banking organizations.

The Federal Reserve Board and the OCC have emphasized that the foregoing standards are supervisory minimums and that an institution would be permitted to maintain such levels of capital only if it had a composite rating of "1" under the regulatory rating systems for bank holding companies and banks. All other bank holding companies are required to maintain a leverage ratio of 3% plus at least 1% to 2% of additional capital. These rules further provide that banking organizations experiencing internal growth or making acquisitions will be expected to maintain capital positions substantially above the minimum supervisory levels and comparable to peer group averages, without significant reliance on intangible assets. The Federal Reserve Board continues to consider a "tangible Tier 1 leverage ratio" in evaluating proposals for expansion or new activities. The tangible Tier 1 leverage ratio is the ratio of a banking organization's Tier 1 Capital less all intangibles, to total assets, less all intangibles. The Federal Reserve Board has not advised us of any specific minimum leverage ratio applicable to SCBT.

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As of December 31, 2011 and 2010, SCBT and our subsidiary bank had the following leverage ratios and total risk-based capital ratios:

	December 31,	
(In percent)	**2011**	**2010**
Tier 1 Leverage Ratios		
SCBT Financial Corporation	**9.12**	8.48
SCBT, N.A.	**8.99**	8.38
Total Risk-Based Capital		
SCBT Financial Corporation	**15.36**	14.60
SCBT, N.A.	**15.15**	14.43

As noted above, 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 SCBT, may continue to include their TRUPs issued prior to May 19, 2010 in Tier 1 capital, but cannot include in Tier 1 capital TRUPs issued after such date.

The FDICIA, among other items, identifies five capital categories for insured depository institutions (well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized) and requires the respective Federal regulatory agencies to implement systems for "prompt corrective action" for insured depository institutions that do not meet minimum capital requirements within such categories. The FDICIA also imposes progressively more restrictive constraints on operations, management and capital distributions, depending on the category in which an institution is classified. Failure to meet the capital guidelines could also subject a banking institution to capital raising requirements. An "undercapitalized" bank must develop a capital restoration plan and its parent holding company must guarantee the undercapitalized bank's compliance with the plan (see "Obligations of Holding Company to its Subsidiary Banks," above). In addition, the FDICIA requires the various regulatory agencies to prescribe certain non-capital standards for safety and soundness relating generally to operations and management, asset quality, and executive compensation. The FDICIA permits regulatory action against a financial institution that does not meet such standards.

The various regulatory agencies have adopted substantially similar regulations that define the five capital categories identified by the FDICIA, using the total risk-based capital, Tier 1 risk-based capital, and Tier 1 leverage ratios as the relevant capital measures. Such regulations establish various degrees of corrective action to be taken when an institution is considered undercapitalized. Under the regulations, an institution will be categorized as:

"Well-capitalized" if the institution has a total risk-based capital ratio of 10.0% or greater, a Tier 1 risk-based capital ratio of 6.0% or greater, a leverage ratio of 5.0% or greater, and is not subject to any order or written directive by any such regulatory authority to meet and maintain a specific capital level for any capital measure.

"Adequately-capitalized" if the institution has a total risk-based capital ratio of 8.0% or greater, a Tier 1 risk-based capital ratio of 4.0% or greater, a leverage ratio of 4.0% or greater, and is not categorized as well-capitalized.

"Undercapitalized" if the institution has a total risk-based capital ratio that is less than 8.0%, a Tier 1 risk-based capital ratio of less than 4.0%, or a leverage ratio of less than 4.0%.

"Significantly-undercapitalized" if the institution has a total risk-based capital ratio of less than 6.0%, a Tier 1 risk-based capital ratio of less than 3.0%, or a leverage ratio of less than 3.0%.

"Critically-undercapitalized" if the institution's tangible equity is equal to or less than 2.0% of average quarterly tangible assets.

Under these guidelines, our bank is considered "well capitalized."

Banking agencies have also adopted final regulations which mandate that regulators take into consideration (i) concentration of credit risk, (ii) interest rate risk (when the interest rate sensitivity of an institution's assets does not match the sensitivity of its liabilities or its off-balance-sheet position), and (iii) risks from non-traditional activities, as well as an institution's ability to manage those risks, when determining the adequacy of an institution's capital. That evaluation will be made as a part of the institution's regular safety and soundness examination. In addition, the banking agencies have amended their regulatory capital guidelines to incorporate a measure for market risk. In accordance with the amended guidelines, if we were to engage in significant trading activity (as defined in the amended capital guidelines) we must incorporate a measure for market risk in our respective regulatory capital calculations effective for reporting periods after January 1, 1998.

In December 2010, the Basel Committee released its final framework for strengthening international capital and liquidity regulation, now officially identified by the Basel Committee as "Basel III". Basel III, if implemented by the U.S. banking agencies and fully phased-in, would require certain bank holding companies and their bank subsidiaries to maintain substantially more capital, with a greater emphasis on common equity. Although Basel III is intended to be implemented by participating countries for large, internationally active banks, its provisions are likely to be considered by U.S. banking regulators in developing new regulations applicable to other banks in the United States, including those developed pursuant to directives in the Dodd-Frank Act.

The Basel III final capital framework, among other things, (i) introduces as a new capital measure called "Common Equity Tier 1" ("CET1"), (ii) specifies that Tier 1 capital consist of CET1 and "Additional Tier 1 capital" instruments meeting specified requirements, (iii) defines CET1 narrowly by requiring that most adjustments to regulatory capital measures be made to CET1 and not to the other components of capital and (iv) expands the scope of the adjustments as compared to existing regulations.

If fully phased in on January 1, 2019, Basel III would require certain banks to maintain (i) as a newly adopted international standard, a minimum ratio of CET1 to risk-weighted assets of at least 4.5%, plus a 2.5% "capital conservation buffer" (which is added to the 4.5% CET1 ratio as that buffer is phased in, effectively resulting in a minimum ratio of CET1 to risk-weighted assets of at least 7% upon full implementation), (ii) a minimum ratio of Tier 1 capital to risk-weighted assets of at least 6.0%, plus the capital conservation buffer (which is added to the 6.0% Tier 1 capital ratio as that buffer is phased in, effectively resulting in a minimum Tier 1 capital ratio of 8.5% upon full implementation), (iii) a minimum ratio of Total capital (that is, Tier 1 plus Tier 2) to risk-weighted assets of at least 8.0%, plus the capital conservation buffer (which is added to the 8.0% total capital ratio as that buffer is phased in, effectively resulting in a minimum total capital ratio of 10.5% upon full implementation) and (iv) as a newly adopted international standard, a minimum leverage ratio of 3%, calculated as the ratio of Tier 1 capital to balance sheet exposures plus certain off-balance sheet exposures (as the average for each quarter of the month-end ratios for the quarter).

Basel III also calls for a "countercyclical capital buffer," generally to be imposed when bank regulatory agencies determine that excess aggregate credit growth has become associated with a buildup of systemic risk, that would be a CET1 add-on to the capital conservation buffer in the range of 0% to 2.5% when fully implemented (potentially resulting in total buffers of between 2.5% and 5%).

The aforementioned capital conservation buffer is designed to absorb losses during periods of economic stress. Banking institutions with a ratio of CET1 to risk-weighted assets above the minimum but below the conservation buffer (or below the combined capital conservation buffer and

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countercyclical capital buffer, when the latter is applied) will face constraints on dividends, equity repurchases and compensation based on the amount of the shortfall.

The implementation of the Basel III capital framework is anticipated to commence on January 1, 2013. On that date, affected banking institutions would be required to meet the following minimum capital ratios:

- 3.5% CET1 to risk-weighted assets;
- 4.5% Tier 1 capital to risk-weighted assets; and
- 8.0% Total capital to risk-weighted assets.

Management believes that, as of December 31, 2011, SCBT and its Bank would meet all capital adequacy requirements under the Basel III capital framework on a fully phased-in basis if such requirements were currently effective.

The Basel III final framework provides for a number of deductions from and adjustments to CET1. These include, for example, the requirement that mortgage servicing rights, deferred tax assets dependent upon future taxable income and significant investments in non-consolidated financial entities be deducted from CET1 to the extent that any one such category exceeds 10% of CET1 or all such categories in the aggregate exceed 15% of CET1. Under current capital standards, the effects of accumulated other comprehensive income items included in capital are excluded for the purposes of determining regulatory capital ratios. Under the Basel III capital framework, the effects of accumulated other comprehensive items are not excluded, which could result in significant variations in level of capital depending upon the impact of interest rate fluctuations on the fair value of an institution's securities portfolio.

Implementation of the deductions and other adjustments to CET1 is anticipated to begin on January 1, 2014 and to be phased-in over a five-year period (20% per year). The implementation of the capital conservation buffer is anticipated to begin on January 1, 2016 at the 0.625% level and be phased in over a four-year period (increasing by that amount on each subsequent January 1, until it reaches 2.5% on January 1, 2019).

The U.S. banking agencies indicated informally that they expected to adopt implementing regulations in mid-2012. Notwithstanding its release of the Basel III framework as a final framework, the Basel Committee is considering further amendments to Basel III, including the imposition of additional capital surcharges on globally systemically important financial institutions. In addition to Basel III, Dodd-Frank requires or permits the Federal banking agencies to adopt regulations affecting banking institutions' capital requirements in a number of respects, including potentially more stringent capital requirements for systemically important financial institutions. SCBT cannot predict whether or in what form any proposed regulation or statute will be adopted or the extent to which its business may be affected by any new regulation or statute.

Payment of Dividends

SCBT is a legal entity separate and distinct from its subsidiary bank. The Federal Reserve Board has issued a policy statement on the payment of cash dividends by bank holding companies, which expresses the Federal Reserve Board's view that a bank holding company generally should pay cash dividends only to the extent that the holding company's net income for the past year is sufficient to cover both the cash dividends and a rate of earnings retention that is consistent with the holding company's capital needs, asset quality, and overall financial condition. The Federal Reserve Board also indicated that it would be inappropriate for a bank holding company experiencing serious financial problems to borrow funds to pay dividends. Funds for cash distributions to our shareholders are derived primarily from dividends received from our bank subsidiary. Our bank is subject to various general regulatory policies and requirements relating to the payment of dividends. Any restriction on the ability of our bank to pay dividends will indirectly restrict the ability of SCBT to pay dividends.

The approval of the OCC is required if the total of all dividends declared by a national bank in any calendar year will exceed the total of its retained net profits for that year combined with its retained net profits for the two preceding years, less any required transfers to surplus. In addition, national banks can only pay dividends to the extent that retained net profits (including the portion transferred to surplus) exceed statutory bad debts in excess of the bank's allowance for loan losses ("ALLL"). Further, if in the opinion of the OCC a bank under its jurisdiction is engaged in or is about to engage in an unsafe or unsound practice (which, depending on the financial condition of the bank, could include the payment of dividends), the OCC may require, after notice and a hearing, that such bank cease and desist from such practice. The OCC has indicated that paying dividends that deplete a national bank's capital base to an inadequate level would be an unsafe and unsound banking practice. The Federal Reserve Board, the OCC, and the FDIC have issued policy statements which provide that bank holding companies and insured banks should generally only pay dividends out of current operating earnings.

In addition to the foregoing, the ability of SCBT and its bank to pay dividends may be affected by the various minimum capital requirements and the capital and non-capital standards established under the FDICIA, as described above. The right of SCBT, its shareholders, and its creditors to participate in any distribution of the assets or earnings of its subsidiary is further subject to the prior claims of creditors of our subsidiary bank.

Certain Transactions by SCBT and its Affiliates

Various legal limitations place restrictions on the ability of the bank to lend or otherwise supply funds to SCBT and its affiliate. The Federal Reserve Act limits a bank's "covered transactions," which include extensions of credit, with any affiliate to 10% of such bank's capital and surplus. All covered transactions with its affiliate cannot in the aggregate exceed 20% of a bank's capital and surplus. All covered and exempt transactions between a bank and its affiliate must be on terms and conditions consistent with safe and sound banking practices, and banks and their subsidiaries are prohibited from purchasing low-quality assets from the bank's affiliate. Also, the Federal Reserve Act requires that all of a bank's extensions of credit to an affiliate be appropriately secured by acceptable collateral, generally United States government or agency securities. In addition, the Federal Reserve Act limits covered and other transactions among affiliates to terms and circumstances, including credit standards, that are substantially the same or at least as favorable to a bank holding company, a bank or a subsidiary of either as prevailing at the time for transactions with unaffiliated companies.

Insurance of Deposits

Deposits at our bank are insured up to applicable limits by the Deposit Insurance Fund of the FDIC. As insurer, the FDIC imposes deposit insurance premiums and is authorized to conduct examinations of and to require reporting by FDIC insured institutions. The FDIC may terminate the deposit insurance of any insured depository institution, including the bank, if it determines after a hearing that the institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC or the OCC. Management of the bank is not aware of any practice, condition or violation that might lead to termination of the bank's deposit insurance.

In May 2009, the FDIC issued a final rule which levied a special assessment applicable to all insured depository institutions totaling 5 basis points of each institution's total assets less Tier 1 capital as of June 30, 2009, not to exceed 10 basis points of domestic deposits. This special assessment was part of the FDIC's efforts to rebuild the Deposit Insurance Fund. We paid this one-time special

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assessment in the amount of $1.3 million to the FDIC during the second quarter of 2009. In November 2009, the FDIC published a final rule to require FDIC insured banks to prepay the fourth quarter assessment and the next three years assessment by December 31, 2009. The calculation of the prepaid assessment provides for a 5% growth rate assumption in the deposit base and a 3 basis point increase in FDIC assessments in 2011 and 2012. Therefore, if deposits grow quicker than 5%, our quarterly expense in the future will increase compared to previous periods. At December 31, 2011, the Company had a prepaid assessment to the FDIC of $3.4 million compared to $7.1 million at December 31, 2010.

In February 2011, the FDIC approved two rules that amended the deposit insurance assessment regulations. The first rule changed the assessment base from one based on domestic deposits to one based on assets. The second rule changed the deposit insurance assessment system for large institutions, defined as an insured depository institution with at least $10 billion in assets, in conjunction with the guidance given in the Dodd-Frank Act. Since the new base would be much larger than the current base, the FDIC lowered assessment rates which achieved the FDIC's goal of not significantly altering the total amount of revenue collected from the industry. Both changes in the assessment system became effective as of April 1, 2011.

FDIC insured institutions are required to pay a Financing Corporation assessment to fund the interest on bonds issued to resolve thrift failures in the 1980s. The Financing Corporation quarterly assessment for the fourth quarter of 2011 equaled 5.765 basis points for each $100 in domestic deposits at our institution. These assessments, which may be revised based upon the level of deposits, will continue until the bonds mature in the years 2017 through 2019.

International Money Laundering Abatement and Financial Anti-Terrorism Act of 2001

On October 26, 2001, the President signed the USA Patriot Act of 2001 into law. This act contains the International Money Laundering Abatement and Financial Anti-Terrorism Act of 2001 (the "IMLAFA"). The IMLAFA contains anti-money laundering measures affecting insured depository institutions, broker-dealers, and certain other financial institutions. The IMLAFA requires U.S. financial institutions to adopt new policies and procedures to combat money laundering. Further, the Act grants the Secretary of the Treasury broad authority to establish regulations and to impose requirements and restrictions on financial institution's operations. We have adopted policies and procedures to comply with the provisions of the IMLAFA.

The Office of Foreign Assets Control ("OFAC"), which is a division of the U.S. Department of the Treasury, is responsible for helping to insure that United States entities do not engage in transactions with "enemies" of the United States, as defined by various Executive Orders and Acts of Congress. OFAC has sent, and will send, our banking regulatory agencies lists of names of persons and organizations suspected of aiding, harboring or engaging in terrorist acts. If the bank finds a name on any transaction, account or wire transfer that is on an OFAC list, it must freeze such account, file a suspicious activity report and notify the FBI. The bank has appointed an OFAC compliance officer to oversee the inspection of its accounts and the filing of any notifications. The bank actively checks high-risk OFAC areas such as new accounts, wire transfers and customer files. The bank performs these checks utilizing software, which is updated each time a modification is made to the lists provided by OFAC and other agencies of Specially Designated Nationals and Blocked Persons.

Incentive Compensation

In June 2010, the Federal Reserve Board, the FDIC and the OCC issued comprehensive final guidance on incentive compensation policies intended to ensure that the incentive compensation policies of banking organizations do not undermine the safety and soundness of such organizations by encouraging excessive risk-taking. The guidance, which covers all employees that have the ability to materially affect the risk profile of an organization, either individually or as part of a group, is based upon the key principles that a banking organization's incentive compensation arrangements should (i) provide incentives that do not encourage risk-taking beyond the organization's ability to effectively identify and manage risks, (ii) be compatible with effective internal controls and risk management, and (iii) be supported by strong corporate governance, including active and effective oversight by the organization's board of directors.

The Federal Reserve Board will review, as part of the regular, risk-focused examination process, the incentive compensation arrangements of banking organizations, such as SCBT, that are not "large, complex banking organizations." These reviews will be tailored to each organization based on the scope and complexity of the organization's activities and the prevalence of incentive compensation arrangements. The findings of the supervisory initiatives will be included in reports of examination. Deficiencies will be incorporated into the organization's supervisory ratings, which can affect the organization's ability to make acquisitions and take other actions. Enforcement actions may be taken against a banking organization if its incentive compensation arrangements, or related risk-management control or governance processes, pose a risk to the organization's safety and soundness and the organization is not taking prompt and effective measures to correct the deficiencies.

Other Laws and Regulations

Interest and certain other charges collected or contracted for by our bank is subject to state usury laws and certain federal laws concerning interest rates. Our bank's operations are also subject to certain federal laws applicable to credit transactions, such as the following:

- Federal Truth-In-Lending Act, which governs disclosures of credit terms to consumer borrowers,
- Community Reinvestment Act requiring financial institutions to meet their obligations to provide for the total credit needs of the communities they serve (which includes the investment of assets in loans to low- and moderate-income borrowers),
- Home Mortgage Disclosure Act of 1975 requiring financial institutions to provide information to enable the public and public officials to determine whether a financial institution is fulfilling its obligation to help meet the housing needs of the community it serves,
- Equal Credit Opportunity Act prohibiting discrimination on the basis of race, creed or other prohibited factors in extending credit,
- Fair Credit Reporting Act of 1978 governing the use and provision of information to credit reporting agencies,
- Fair Debt Collection Act governing the manner in which consumer debts may be collected by collection agencies, and
- Rules and regulations of the various federal agencies charged with the responsibility of implementing such federal laws.

The deposit operations of our bank is also subject to the Right to Financial Privacy Act, which imposes a duty to maintain confidentiality of consumer financial records and prescribes procedures for complying with administrative subpoenas of financial records, and the Electronic Funds Transfer Act and Regulation E issued by the Federal Reserve Board to implement that act, which govern automatic deposits to and withdrawals from deposit accounts and customers' rights and liabilities arising from the use of automated teller machines and other electronic banking services.

From time to time, bills come before the United States Congress and in the North Carolina, South Carolina, and Georgia state legislatures that in certain cases contain wide-ranging proposals for altering the structure, regulation, and competitive relationships of financial institutions. Among such bills are proposals to prohibit banks and bank holding companies from conducting certain types of activities, to

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subject banks to increased disclosure and reporting requirements, to alter the statutory separation of commercial and investment banking, and to further expand the powers of banks, bank holding companies and competitors of banks. We cannot predict whether or in what form any of these proposals will be adopted or the extent to which our business may be affected.

Fiscal and Monetary Policy

Banking is a business that depends largely on interest rate differentials. In general, the difference between the interest we pay on our deposits and other borrowings, and the interest we receive on our loans and securities holdings, constitutes the major portion of our bank's earnings. Thus, our earnings and growth will be subject to the influence of economic conditions generally, both domestic and foreign, and also to the monetary and fiscal policies of the United States and its agencies, particularly the Federal Reserve Board. The Federal Reserve Board regulates, among other things, the supply of money through various means, including open-market dealings in United States government securities, the discount rate at which banks may borrow from the Federal Reserve Board, and the reserve requirements on deposits. We cannot predict the nature and timing of any changes in such policies and their impact on our business.

Proposed Legislation and Regulatory Action

From time to time, various legislative and regulatory initiatives are introduced in Congress and state legislatures, as well as by regulatory agencies. Such initiatives may include proposals to expand or contract the powers of bank holding companies and depository institutions or proposals to substantially change the financial institution regulatory system. Such legislation could change banking statutes and the operating environment of the Company in substantial and unpredictable ways. If enacted, such legislation could increase or decrease the cost of doing business, limit or expand permissible activities or affect the competitive balance among banks, savings associations, credit unions, and other financial institutions. We cannot predict whether any such legislation will be enacted, and, if enacted, the effect that it, or any implementing regulations, would have on the financial condition or results of operations of the Company. A change in statutes, regulations or regulatory policies applicable to the Company or the Bank could have a material effect on the business of the Company.

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Executive Officers of SCBT

Executive officers of SCBT are elected by the board of directors annually and serve at the pleasure of the board of directors. The executive officers and their ages, positions over the past five years, and terms of office as of March 1, 2012, are as follows:

Name (age)	Position and Five Year History	With SCBT Since
Robert R. Hill, Jr. (45)	President, Chief Executive Officer and Director President and Chief Operating Officer of South Carolina Bank and Trust (1999 - 2004)	1995
John C. Pollok (46)	Senior Executive Vice President and Chief Operating Officer Chief Financial Officer (2007 - 2010)	1996
Donald E. Pickett (51)	Executive Vice President and Chief Financial Officer Internal Audit Managing Director for Finance and Corporate Activities of Wachovia Corporation (2007 - 2009) Director of Financial Governance for Wachovia Corporation (2003 - 2007)	2010
Joseph E. Burns (57)	Senior Executive Vice President and Chief Risk Officer Chief Credit Officer (2000 - 2009)	2000
John F. Windley (59)	President and Chief Banking Officer, South Carolina Bank and Trust Regional President, South Carolina Bank and Trust (2002 - 2006)	2002
Renee R. Brooks (42)	Corporate Secretary and Chief Administrative Officer Corporate Secretary and Retail & Commercial Banking Officer (2009 - 2010) Commercial Department Manager SCBT of the Piedmont (2005 - 2009)	1996

None of the above officers are related and there are no arrangements or understandings between them and any other person pursuant to which any of them was elected as an officer, other than arrangements or understandings with the directors or officers of SCBT acting solely in their capacities as such.

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Item 1A. Risk Factors.

Our business operations and the value of securities issued by us may be adversely affected by certain risk factors, many of which are outside of our control. We believe the risk factors listed could materially and adversely affect our business, financial condition or results of operations. We may also be adversely affected by additional risks and uncertainties that management is not aware of or focused on or that we currently believe are immaterial to our business operations. If any of such risks actually occur, you could lose part or all of your investment. This Report is qualified in its entirety by these risk factors.

General Business Risks

Negative developments in the financial industry, the domestic and international credit markets, and the economy in general may adversely affect our operations and results.

Negative developments in the global credit and securitization markets have resulted in uncertainty in the financial markets in general with the expectation of continued uncertainty in 2012. As a result of this "credit crunch," commercial as well as consumer loan portfolio performances deteriorated at institutions and the competition for deposits and quality loans has increased significantly. In addition, the values of real estate collateral supporting many commercial loans and home mortgages have declined and may continue to decline. Global securities markets and bank holding company stock prices in particular, have been negatively affected, as has in general the ability of banks and bank holding companies to raise capital or borrow in the debt markets. As a result, bank regulatory agencies have been active in responding to concerns and trends identified in examinations, including by issuing a historically high number of formal enforcement orders over the past three years. In addition, significant new federal laws and regulations relating to financial institutions have been adopted, including, without limitation, the EESA, the Recovery Act, and the Dodd-Frank Act. Furthermore, the potential exists for additional federal or state laws and regulations, and bank regulatory agencies are expected to be active in responding to concerns and trends identified in examinations by issuing formal enforcement orders. Negative developments in the financial industry and the domestic and international credit markets, and the impact of new legislation, legislation and bank examination practices in response to those developments, may negatively impact our operations by restricting our business operations, including our ability to originate or sell loans, and adversely impact our financial performance. We can provide no assurance regarding the manner in which any new laws and regulations will affect us.

There can be no assurance that recently enacted legislation will help stabilize the U.S. financial system.

In response to the challenges facing the financial services sector, a number of regulatory and legislative actions have been enacted or announced. There can be no assurance that these government actions will achieve their purpose. The terms and costs of these activities, or the failure of these actions to help stabilize the financial markets, asset prices, market liquidity and a continuation or worsening of current financial market and economic conditions, could materially and adversely affect our business, financial condition, results of operations, and the price of our common stock.

Our estimated allowance for loan losses may be inadequate and an increase in the allowance would reduce earnings.

We are exposed to the risk that our customers will be unable to repay their loans according to their terms and that any collateral securing the payment of their loans will not be sufficient to ensure full repayment. Credit losses are inherent in the lending business and could have a material adverse effect on our operating results and ability to meet obligations. The volatility and deterioration in foreign and domestic markets may also increase our risk for credit losses. The composition of our loan portfolio, primarily secured by real estate, reduces loss exposure. At December 31, 2011, we had approximately 13,766 of non-acquired loans secured by real estate with an average loan balance of approximately $156,000. At December 31, 2011, we had approximately 27,483 total non-acquired loans with an average loan balance of approximately $89,000. We evaluate the collectability of our loan portfolio and provide an allowance for loan losses that we believe to be adequate based on a variety of factors including but not limited to: the risk characteristics of various classifications of loans, previous loan loss experience, specific loans that have loss potential, delinquency trends, estimated fair market value of the collateral, current economic conditions, the views of our regulators, and geographic and industry loan concentrations. If our evaluation is incorrect and borrower defaults cause losses that exceed our allowance for loan losses, our earnings could be significantly and adversely affected. These risks have been exacerbated by the recent developments in national and international financial markets and the economy in general. No assurance can be given that the allowance will be adequate to cover loan losses inherent in our portfolio. We may experience losses in our loan portfolios or perceive adverse conditions and trends that may require us to significantly increase our allowance for loan losses in the future, a decision that would reduce earnings.

We are exposed to higher credit risk by commercial real estate, commercial business, and construction lending.

Commercial real estate, commercial business and construction lending usually involves higher credit risks than that of single-family residential lending. These types of loans involve larger loan balances to a single borrower or groups of related borrowers. Commercial real estate loans may be affected to a greater extent than residential loans by adverse conditions in real estate markets or the economy because commercial real estate borrowers' ability to repay their loans depends on successful development of their properties, as well as the factors affecting residential real estate borrowers. These loans also involve greater risk because they generally are not fully amortizing over the loan period, but have a balloon payment due at maturity. A borrower's ability to make a balloon payment typically will depend on being able to either refinance the loan or sell the underlying property in a timely manner.

Risk of loss on a construction loan depends largely upon whether our initial estimate of the property's value at completion of construction equals or exceeds the cost of the property construction (including interest) and the availability of permanent take-out financing. During the construction phase, a number of factors can result in delays and cost overruns. If estimates of value are inaccurate or if actual construction costs exceed estimates, the value of the property securing the loan may be insufficient to ensure full repayment when completed through a permanent loan or by seizure of collateral.

Commercial business loans are typically based on the borrowers' ability to repay the loans from the cash flow of their businesses. These loans may involve greater risk because the availability of funds to repay each loan depends substantially on the success of the business itself. In addition, the collateral securing the loans have the following characteristics: (i) depreciate over time, (ii) difficult to appraise and liquidate, and (iii) fluctuate in value based on the success of the business.

Commercial real estate, commercial business, and construction loans are more susceptible to a risk of loss during a downturn in the business cycle. Our underwriting, review, and monitoring cannot eliminate all of the risks related to these loans.

As of December 31, 2011, our outstanding commercial real estate loans were equal to 158.6% of our total risk-based capital. The banking regulators are giving commercial real estate lending greater scrutiny, and may require banks with higher levels of commercial real estate loans to implement enhanced underwriting, internal controls, risk management policies and portfolio stress testing, as well as possibly higher levels of allowances for losses and capital levels as a result of commercial real estate lending growth and exposures.

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Our business is predominately in three states, South Carolina, Mecklenburg County of North Carolina, and Northeast Georgia; therefore, continuation of the economic downturn in South Carolina, this North Carolina County, and Northeast Georgia could negatively impact results from operations and our financial condition.

Because of our concentration of business in the Southeast, continuation of the economic downturn in this region could make it more difficult to attract deposits and could cause higher rates of loss and delinquency on our loans than if the loans were more geographically diversified. Adverse economic conditions in these regions, including, without limitation, declining real estate values, could cause our levels of non-performing assets and loan losses to increase. If the economic downturn continues or a prolonged economic recession occurs in the economy as a whole, borrowers will be less likely to repay their loans as scheduled. A continued economic downturn could, therefore, result in losses that materially and adversely affect our business.

A significant portion of our loan portfolio is secured by real estate, and events that negatively impact the real estate market could hurt our business.

A significant portion of our non-acquired loan portfolio is secured by real estate. As of December 31, 2011, approximately 87.1% of our loans had real estate as a primary or secondary component of collateral. The real estate collateral in each case provides an alternate source of repayment in the event of default by the borrower and may deteriorate in value during the time the credit is extended. We have identified credit concerns with respect to certain loans in our loan portfolio which are primarily related to the downturn in the real estate market. The real estate market has been substantially impacted by the current economic environment, increased levels of inventories of unsold homes, and higher foreclosure rates. As a result, property values for this type of collateral have declined substantially and market appraisal assumptions continue to trend downward significantly. These loans carry a higher degree of risk than long-term financing of existing real estate since repayment is dependent on the ultimate completion of the project or home and usually on the sale of the property or permanent financing. Slow housing conditions have affected some of these borrowers' ability to sell the completed projects in a timely manner, and we believe that these trends are likely to continue. In some cases, this downturn has resulted in an impairment to the value of our collateral and our ability to sell the collateral upon foreclosure. Further deterioration in the real estate market may cause us to adjust our opinion of the level of credit quality in our loan portfolio. Such a determination may lead to an additional increase in our provisions for loan losses, which could also adversely impact our business, financial condition, and results of operations.

Liquidity needs could adversely affect our results of operations and financial condition.

The primary sources of our bank's funds are client deposits and loan repayments. While scheduled loan repayments are a relatively stable source of funds, they are subject to the ability of borrowers to repay the loans. The ability of borrowers to repay loans can be adversely affected by a number of factors, including changes in economic conditions, adverse trends or events affecting business industry groups, reductions in real estate values or markets, business closings or lay-offs, inclement weather, natural disasters, which could be exacerbated by potential climate change, and international instability. Additionally, deposit levels may be affected by a number of factors, including rates paid by competitors, general interest rate levels, regulatory capital requirements, returns available to clients on alternative investments and general economic conditions. Accordingly, we may be required from time to time to rely on secondary sources of liquidity to meet withdrawal demands or otherwise fund operations. Such sources include Federal Home Loan Bank advances, sales of securities and loans, and federal funds lines of credit from correspondent banks, as well as out-of-market time deposits. While we believe that these sources are currently adequate, there can be no assurance they will be sufficient to meet future liquidity demands, particularly if we continue to grow and experience increasing loan demand. We may

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be required to slow or discontinue loan growth, capital expenditures or other investments or liquidate assets should such sources not be adequate.

We may make future acquisitions, which could dilute current shareholders' stock ownership and expose us to additional risks.

In accordance with our strategic plan, we regularly evaluate opportunities to acquire other banks and branch locations to expand SCBT, including potential acquisitions of assets and liabilities of target banks that are in receivership through the FDIC bid process for failed institutions. Our acquisition activities could be material to SCBT. For example, as in the case of our proposed acquisition of Peoples announced on December 20, 2011, we could issue additional shares of common stock in a purchase transaction, which could dilute current shareholders' ownership interest in SCBT. Acquisition activities could also require us to use a substantial amount of cash or other liquid assets or to incur debt. In addition, if goodwill recorded in connection with our prior or potential future acquisitions were determined to be impaired, then we would be required to recognize a charge against our earnings, which could materially and adversely affect our results of operations during the period in which the impairment was recognized. Any potential charges for impairment related to goodwill would not impact cash flow, tangible capital or liquidity.

Our acquisition activities, including our proposed acquisition of Peoples, could involve a number of additional risks, including the risks of:

- incurring the time and expense associated with identifying and evaluating potential acquisitions and merger partners and negotiating potential transactions, resulting in management's attention being diverted from the operation of our existing business;
- using inaccurate estimates and judgments to evaluate credit, operations, management, and market risks with respect to the target institution or assets;
- incurring the time and expense required to integrate the operations and personnel of the combined businesses;
- creating an adverse short-term effect on our results of operations; and
- losing key employees and customers as a result of an acquisition that is poorly received.

If we do not successfully manage these risks, our acquisition activities could have a material effect on our operating results and financial condition, including short and long-term liquidity.

Any acquisition of assets and liabilities of target banks that are in receivership through the FDIC bid process for failed institutions requires us, through our bank subsidiary, to enter into a Purchase & Assumption Agreement (the "P&A Agreement") with the FDIC. The P&A Agreement is a form document prepared by the FDIC, and our ability to negotiate the terms of this agreement is extremely limited. P&A Agreements typically provide for limited disclosure about, and limited indemnification for, risks associated with the target banks (as did the P&A Agreement related to our acquisition of deposits (excluding brokered deposits), certain other borrowings and certain assets from CBT, Habersham, and BankMeridian). There is a risk that such disclosure regarding, and indemnification for, the assets and liabilities of target banks will not be sufficient and we will incur unanticipated losses in connection with any acquisition of assets and liabilities of target banks that are in receivership through the FDIC bid process for failed institutions. In any future P&A Agreements, we may be required to make an additional payment to the FDIC under certain circumstances following the completion of an FDIC-assisted acquisition if, for example, actual losses related to the target bank's assets acquired are less than a stated threshold. The P&A Agreements related to our acquisitions of deposits (excluding brokered deposits), certain borrowings and certain assets from CBT, Habersham, and BankMeridian; include such a true-up provision.

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In addition, the FDIC bid process for failed depository institutions is competitive. We cannot provide any assurances that we will be successful in bidding for any target bank or for other failed depository institutions in the future.

We may be exposed to difficulties in combining the operations of acquired businesses into our own operations, which may prevent us from achieving the expected benefits from our acquisition activities.

We may not be able to fully achieve the strategic objectives and operating efficiencies that we anticipate in our acquisition activities, including our proposed acquisition of Peoples announced on December 20, 2011. Inherent uncertainties exist in integrating the operations of an acquired business. In addition, the markets and industries in which SCBT and our potential acquisition targets operate are highly competitive. We may lose customers or the customers of acquired entities as a result of an acquisition. We also may lose key personnel from the acquired entity as a result of an acquisition. We may not discover all known and unknown factors when examining a company for acquisition during the due diligence period. These factors could produce unintended and unexpected consequences for us. Undiscovered factors as a result of acquisition, pursued by non-related third party entities, could bring civil, criminal, and financial liabilities against us, our management, and the management of those entities acquired. These factors could contribute to SCBT not achieving the expected benefits from its acquisitions within desired time frames.

SCBT's proposed acquisition of Peoples may present certain risks to SCBT's business and operations.

On December 19, 2011, SCBT and Peoples entered into a merger agreement providing for the acquisition of Peoples by SCBT. The proposed acquisition presents the following risks, among others:

- the possibility that expected benefits may not materialize in the timeframe expected or at all, or may be more costly to achieve;
- that the transaction may not be timely completed, if at all;
- that prior to the completion of the transaction or thereafter, SCBT's and Peoples' respective businesses may not perform as expected due to transaction-related uncertainty or other factors;
- that the parties are unable to successfully implement integration strategies, due to challenges associated with integrating complex systems, technology, banking centers, and other assets of Peoples in a manner that minimizes any adverse effect on customers, suppliers, employees, and other constituencies and integrating Peoples' workforce while maintaining focus on providing consistent, high quality customer service;
- that required regulatory, shareholder or other approvals, including the approval of the Federal Reserve Board, the OCC, and the approval of Peoples' shareholders, are not obtained or other closing conditions are not satisfied in a timely manner or at all;
- reputational risks and the reaction of the companies' customers to the transaction; and
- whether or not completed, the proposed acquisition may require diversion of the attention of SCBT's management and other key employees from ongoing business activities, including the pursuit of other opportunities that could be beneficial to SCBT.

New or acquired banking office facilities and other facilities may not be profitable.

We may not be able to identify profitable locations for new banking offices. The costs to start up new banking offices or to acquire existing branches, and the additional costs to operate these facilities, may increase our non-interest expense and decrease our earnings in the short term. If branches of other banks become available for sale, we may acquire those offices. It may be difficult to adequately and profitably manage our growth through the establishment or purchase of additional banking offices

and we can provide no assurance that any such banking offices will successfully attract enough deposits to offset the expenses of their operation. In addition, any new or acquired banking offices will be subject to regulatory approval, and there can be no assurance that we will succeed in securing such approval.

Our ability to continue to receive the benefits of our loss share arrangements with the FDIC is conditioned upon our compliance with certain requirements under the agreements.

We are the beneficiary of loss share agreements with the FDIC that call for the FDIC to fund a portion of our losses on a majority of the assets we acquired in connection with our recent FDIC-assisted transactions. To recover a portion of our losses and retain the loss share protection, we must comply with certain requirements imposed by the agreements. The requirements of the agreements relate primarily to our administration of the assets covered by the agreements, as well as our obtaining the consent of the FDIC to engage in certain corporate transactions that may be deemed under the agreements to constitute a transfer of the loss share benefits. For example, among other transactions:

- any merger or consolidation of SCBT in which our shareholders will own less than sixty-six and two-thirds percent (66.66%) of the equity of the consolidated entity, or

- any sale of shares of our common stock, or securities convertible into our common stock, by one or more shareholders that will effect a change in control of SCBT, as determined by the FDIC with reference to the standards under the Change in Bank Control Act,

requires the consent of the FDIC.

When the consent of the FDIC is required under the loss share agreements, the FDIC may withhold its consent or may condition its consent on terms that we do not find acceptable. If the FDIC does not grant its consent to a transaction we would like to pursue, or conditions its consent on terms that we do not find acceptable, we may be unable to engage in a corporate transaction that might otherwise benefit our shareholders or we may elect to pursue such a transaction without obtaining the FDIC's consent, which could result in termination of our loss share agreements with the FDIC.

Our loss sharing arrangements with the FDIC will not cover all of our losses on loans we acquired through the acquisition of CBT, Habersham and BankMeridian.

Although we have entered into loss share agreements with the FDIC that provide that the FDIC will bear a significant portion of losses related to specified loan portfolios that we acquired through the acquired banks, we are not protected for all losses resulting from charge-offs with respect to those specified loan portfolios. Additionally, the loss sharing agreements have limited terms (10 years for losses on single-family residential real estate loans, five years for losses on non-residential real estate loans and eight years with respect to recoveries on non-residential real estate loans). Therefore, the FDIC will not reimburse us for any charge-off or related losses that we experience after the term of the loss share agreements, and any such charge-offs would negatively impact our net income. Moreover, the loss share provisions in the loss share agreement may be administered improperly, or the FDIC may interpret those provisions in a way different than we do. In any of those events, our losses could increase.

The FDIC requires that we make a "true-up" payment to the FDIC if our realized losses are less than expected.

The loss share agreements between the bank and the FDIC with respect to CBT, Habersham and BankMeridian each contain a provision that obligates us to make a "true-up" payment to the FDIC if the realized losses of each of these acquired banks are less than expected. The "true-up" calculation is scheduled to be made as of the 45th day following the last day of the calendar month of the tenth anniversary of the closing of the acquisitions of the acquired banks. Any such "true-up" payment could have a negative effect on our business, financial condition and results of operations.

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We are exposed to a need for additional capital resources for the future and these capital resources may not be available when needed or at all.

We may need to incur additional debt or equity financing in the future to make strategic acquisitions or investments or to strengthen our capital position. Our ability to raise additional capital, if needed, will depend on, among other things, conditions in the capital markets at that time, which are outside of our control and our financial performance. Accordingly, we cannot provide assurance that such financing will be available to us on acceptable terms or at all. If we cannot raise additional capital when needed, our ability to further expand our operations through internal growth and acquisitions could be materially impaired. In addition, if we decide to raise additional equity capital, our current shareholders' interests could be diluted.

Our net interest income may decline based on the interest rate environment.

We depend on our net interest income to drive profitability. Differences in volume, yields or interest rates and differences in income earning products such as interest-earning assets and interest-bearing liabilities determine our net interest income. We are exposed to changes in general interest rate levels and other economic factors beyond our control. Net interest income may decline in a particular period if:

- In a declining interest rate environment, more interest-earning assets than interest-bearing liabilities re-price or mature, or

- In a rising interest rate environment, more interest-bearing liabilities than interest-earning assets re-price or mature.

Our net interest income may decline based on our exposure to a difference in short-term and long-term interest rates. If the difference between the interest rates shrinks or disappear, the difference between rates paid on deposits and received on loans could narrow significantly resulting in a decrease in net interest income. In addition to these factors, if market interest rates rise rapidly, interest rate adjustment caps may limit increases in the interest rates on adjustable rate loans, thus reducing our net interest income. Also, certain adjustable rate loans re-price based on lagging interest rate indices. This lagging effect may also negatively impact our net interest income when general interest rates continue to rise periodically.

Our primary policy for managing interest rate risk exposure involves monitoring exposure to interest rate increases and decreases of as much as 200 basis points ratably over a 12-month period. As of December 31, 2011, the earnings simulations indicated that the impact of a 200 basis point increase in rates over 12 months would result in an approximate 0.7% increase in net interest income as compared with a base case unchanged interest rate environment. As a result of the current rate environment with federal funds rates between zero and 25 basis points, our simulation does not produce a realistic scenario for the impact of a 200 basis point decrease in rates. These results indicate that our rate sensitivity is slightly asset sensitive to the indicated change in interest rates over a one-year horizon.

We may not be able to adequately anticipate and respond to changes in market interest rates.

We may be unable to anticipate changes in market interest rates, which are affected by many factors beyond our control including but not limited to inflation, recession, unemployment, money supply, monetary policy, and other changes that affect financial markets both domestic and foreign. Our net interest income is affected not only by the level and direction of interest rates, but also by the shape of the yield curve and relationships between interest sensitive instruments and key driver rates, as well as balance sheet growth, customer loan and deposit preferences, and the timing of changes in these variables. In the event rates increase, our interest costs on liabilities may increase more rapidly

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than our income on interest earning assets, thus a deterioration of net interest margins. As such, fluctuations in interest rates could have significant adverse effects on our financial condition and results of operations.

We are exposed to the possibility that more prepayments may be made by customers to pay down loan balances, which could reduce our interest income and profitability.

Prepayment rates stem from consumer behavior, conditions in the housing and financial markets, general United States economic conditions, and the relative interest rates on fixed-rate and adjustable-rate loans. Therefore, changes in prepayment rates are difficult to predict. Recognition of deferred loan origination costs and premiums paid in originating these loans are normally recognized over the contractual life of each loan. As prepayments occur, the rate at which net deferred loan origination costs and premiums are expensed will accelerate. The effect of the acceleration of deferred costs and premium amortization may be mitigated by prepayment penalties paid by the borrower when the loan is paid in full within a certain period of time, which varies between loans. If prepayment occurs after the period of time when the loan is subject to a prepayment penalty, the effect of the acceleration of premium and deferred cost amortization is no longer mitigated. We recognize premiums paid on mortgage-backed securities as an adjustment from interest income over the expected life of the security based on the rate of repayment of the securities. Acceleration of prepayments on the loans underlying a mortgage-backed security shortens the life of the security, increases the rate at which premiums are expensed and further reduces interest income. We may not be able to reinvest loan and security prepayments at rates comparable to the prepaid instrument particularly in a period of declining interest rates.

We are exposed to a possible loss of our employees and critical management team.

We are dependent on the ability and experience of a number of key management personnel who have substantial experience with our operations, the financial services industry, and the markets in which we offer products and services. The loss of one or more senior executives or key managers may have an adverse effect on our operations. Also, as we continue to grow operations, our success depends on our ability to continue to attract, manage, and retain other qualified middle management personnel. We cannot guarantee that we will continue to attract or retain such personnel.

If we are unable to offer our key management personnel long-term incentive compensation, including options and restricted stock, as part of their total compensation package, we may have difficulty retaining such personnel, which would adversely affect our operations and financial performance.

We have historically granted equity awards, including non-qualified options and restricted stock awards, to key management personnel as part of a competitive compensation package. Our ability to grant equity compensation awards as a part of our total compensation package has been vital to attracting, retaining and aligning shareholder interest with a talented management team in a highly competitive marketplace.

In the future, we will be required to ask our shareholders to approve additional issuances of equity awards in order for the equity component of our compensation packages to remain competitive in the industry. Shareholder advisory groups have implemented guidelines and issued voting recommendations related to how much equity companies should be able to grant to employees. These advisory influence shareholder votes regarding approval of a company's request for approval of equity compensation arrangements. The factors used to formulate these guidelines and voting recommendations include the volatility of a company's share price and are influenced by broader macro-economic conditions that can change year to year. The variables used by shareholder advisory groups to formulate equity plan recommendations may limit our ability to obtain approval to issue additional equity awards or adopt a new equity plan. If we are limited in our ability to grant equity compensation awards, we would need to

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explore offering other compelling alternatives to supplement our compensation, including long-term cash compensation plans or significantly increased short-term cash compensation, in order to continue to attract and retain key management personnel. If we used these alternatives to long-term equity awards, our compensation costs could increase and our financial performance could be adversely affected. If we are unable to offer key management personnel long-term incentive compensation, including options and restricted stock, as part of their total compensation package, we may have difficulty attracting and retaining such personnel, which would adversely affect our operations and financial performance.

Our historical operating results may not be indicative of our future operating results.

We may not be able to sustain our historical rate of growth, and, consequently, our historical results of operations will not necessarily be indicative of our future operations. Various factors, such as economic conditions, regulatory and legislative considerations, and competition, may also impede our ability to expand our market presence. If we experience a significant decrease in our historical rate of growth, our results of operations and financial condition may be adversely affected because a high percentage of our operating costs are fixed expenses.

We may be adversely affected by the lack of soundness of other financial institutions.

Financial services institutions are interrelated as a result of trading, clearing, counterparty, or other relationships. We have exposure to many different industries and counterparties, and routinely execute transactions with counterparties in the financial services industry, including commercial banks, brokers and dealers, investment banks, and other institutional clients. Many of these transactions expose us to credit risk in the event of a default by a counterparty or client. In addition, our credit risk may be exacerbated when the collateral held by SCBT cannot be realized upon or is liquidated at prices not sufficient to recover the full amount of the credit or derivative exposure due to SCBT. Any such losses could have a material adverse effect on our financial condition and results of operations.

We could experience a loss due to competition with other financial institutions.

The banking and financial services industry is very competitive. Legal and regulatory developments have made it easier for new and sometimes unregulated competitors to compete with us. The financial services industry has and is experiencing an ongoing trend towards consolidation in which fewer large national and regional banks and other financial institutions are replacing many smaller and more local banks. These larger banks and other financial institutions hold a large accumulation of assets and have significantly greater resources and a wider geographic presence or greater accessibility. In some instances, these larger entities operate without the traditional brick and mortar facilities that restrict geographic presence. Some competitors are able to offer more services, more favorable pricing or greater customer convenience than SCBT. In addition, competition has increased from new banks and other financial services providers that target our existing or potential customers. As consolidation continues among large banks, we expect other smaller institutions to try to compete in the markets we serve.

Technological developments have allowed competitors, including some non-depository institutions, to compete more effectively in local markets and have expanded the range of financial products, services and capital available to our target customers. If we are unable to implement, maintain and use such technologies effectively, we may not be able to offer products or achieve cost-efficiencies necessary to compete in the industry. In addition, some of these competitors have fewer regulatory constraints and lower cost structures.

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We depend on the accuracy and completeness of information about clients and counterparties.

In deciding whether to extend credit or enter into other transactions with clients and counterparties, we may rely on information furnished to us by or on behalf of clients and counterparties, including financial statements and other financial information. We also may rely on representations of clients and counterparties as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors. For example, in deciding whether to extend credit to clients, we may assume that a customer's audited financial statements conform to accounting principles generally accepted in the United States of America ("GAAP") and present fairly, in all material respects, the financial condition, results of operations and cash flows of the customer. Our earnings are significantly affected by our ability to properly originate, underwrite and service loans. Our financial condition and results of operations could be negatively impacted to the extent we incorrectly assess the creditworthiness of our borrowers, fail to detect or respond to deterioration in asset quality in a timely manner, or rely on financial statements that do not comply with GAAP or are materially misleading.

The accuracy of our financial statements and related disclosures could be affected because we are exposed to conditions or assumptions different from the judgments, assumptions or estimates used in our critical accounting policies.

The preparation of financial statements and related disclosure in conformity with GAAP requires us to make judgments, assumptions, and estimates that affect the amounts reported in our consolidated financial statements and accompanying notes. Our critical accounting policies, included in this document, describe those significant accounting policies and methods used in the preparation of our consolidated financial statements that are considered "critical" by us because they require judgments, assumptions and estimates that materially impact our consolidated financial statements and related disclosures. As a result, if future events differ significantly from the judgments, assumptions and estimates in our critical accounting policies, such events or assumptions could have a material impact on our audited consolidated financial statements and related disclosures.

We are exposed to the possibility of technology failure and a disruption in our operations may adversely affect our business.

We rely on our computer systems and the technology of outside service providers. Our daily operations depend on the operational effectiveness of their technology. We rely on our systems to accurately track and record our assets and liabilities. If our computer systems or outside technology sources become unreliable, fail, or experience a breach of security, our ability to maintain accurate financial records may be impaired, which could materially affect our business operations and financial condition. In addition, a disruption in our operations resulting from failure of transportation and telecommunication systems, loss of power, interruption of other utilities, natural disaster, fire, global climate changes, computer hacking or viruses, failure of technology, terrorist activity or the domestic and foreign response to such activity or other events outside of our control could have an adverse impact on the financial services industry as a whole and/or on our business. Our business recovery plan may not be adequate and may not prevent significant interruptions of our operations or substantial losses.

Higher FDIC deposit insurance premiums and assessments could adversely impact our financial condition.

Our deposits are insured up to applicable limits by the Deposit Insurance Fund of the FDIC and are subject to deposit insurance assessments to maintain deposit insurance. As an FDIC-insured institution, we are required to pay quarterly deposit insurance premium assessments to the FDIC. Although we cannot predict what the insurance assessment rates will be in the future, either deterioration in our risk-based capital ratios or adjustments to the base assessment rates could have a material adverse impact on our business, financial condition, results of operations, and cash flows.

Negative public opinion surrounding our company and the financial institutions industry generally could damage our reputation and adversely impact our earnings.

Reputation risk, or the risk to our business, earnings and capital from negative public opinion surrounding our company and the financial institutions industry generally, is inherent in our business. Negative public opinion can result from our actual or alleged conduct in any number of activities, including lending practices, corporate governance and acquisitions, and from actions taken by government regulators and community organizations in response to those activities. Negative public opinion can adversely affect our ability to keep and attract clients and employees and can expose us to litigation and regulatory action. Although we take steps to minimize reputation risk in dealing with our clients and communities, this risk will always be present given the nature of our business.

Legal and Regulatory Risks

We are subject to extensive regulation that could restrict our activities and impose financial requirements or limitations on the conduct of our business, limit our ability to receive dividends from our bank, and limit our ability to pay dividends.

We are subject to Federal Reserve Board regulation. Our bank is subject to extensive regulation, supervision, and examination by our primary federal regulator, the OCC, and by the FDIC, the regulating authority that insures customer deposits. Also, as a member of the Federal Home Loan Bank ("FHLB"), our bank must comply with applicable regulations of the Federal Housing Finance Board and the FHLB. Regulation by these agencies is intended primarily for the protection of our depositors and the deposit insurance fund and not for the benefit of our shareholders. We are subject to extensive regulation by these agencies that could restrict our activities and impose financial requirements or limitations on the conduct of our business, limit our ability to receive dividends from our bank, and limit our ability to pay dividends.

Our bank's activities are also regulated under consumer protection laws applicable to our lending, deposit, and other activities. A sufficient claim against our bank under these laws could have a material adverse effect on our results of operations.

We are exposed to declines in the value of qualified pension plan assets or unfavorable changes in laws or regulations that govern pension plan funding, which could require us to provide significant amounts of funding for our qualified pension plan.

As a matter of course, we anticipate that we will make material cash contributions to our qualified defined benefit pension plan in the near and long term. A significant decline in the value of qualified pension plan assets in the future or unfavorable changes in laws or regulations that govern pension plan funding could materially change the timing and amount of required pension funding. As a result, we may be required to fund our qualified defined benefit pension plan with a greater amount of cash from operations, perhaps by an additional material amount.

We are exposed to further changes in the regulation of financial services companies.

Proposals for further regulation of the financial services industry are continually being introduced in the Congress of the United States of America, the General Assembly of the State of South Carolina, the General Assembly of the State of North Carolina, and the General Assembly of the State of Georgia. The agencies regulating the financial services industry also periodically adopt changes to their regulations. On September 7, 2008, the U.S. Treasury announced that Freddie Mac (along with Fannie Mae) had been placed into conservatorship under the control of the newly created Federal Housing

Finance Agency. On October 3, 2008, EESA was signed into law, and on October 14, 2008 the U.S. Treasury announced its CPP under EESA. On February 17, 2009, the Recovery Act was signed into law. In November 2009, the FDIC announced a final rule to require FDIC insured banks to prepay the fourth quarter assessment and the next three years assessment by December 31, 2009. On July 21, 2010, the Dodd-Frank Act was signed into law. Pursuant to authority granted under the Dodd-Frank Act, effective on October 1, 2011, the Federal Reserve Board established new rules regarding interchange fees charged for electronic debit transactions by payment card issuers having assets over $10 billion. While SCBT is not subject to the interchange fee restrictions, the new restrictions could negatively impact bank card services income for smaller banks if the reductions that are required of larger banks cause industry-wide reduction of swipe fees. In December 2010, the Basel Committee revised final frameworks for the regulation of capital and liquidity of internationally active banking organizations. Although the U.S. banking agencies have not yet adopted rulemaking to implement Basel III in the United States, they are likely to do so (at least with respect to the Basel III capital framework) during 2012. In addition to Basel III, the Dodd-Frank Act requires or permits the Federal banking agencies to adopt regulations affecting banking institutions' capital requirements in a number of respects, including potentially more stringent capital requirements for systemically important financial institutions.

Government measures to regulate the financial industry, including the Dodd-Frank Act, either individually, in combination or in the aggregate, have increased and will continue to increase our compliance costs, and they could require us to change certain of our business practices, impose significant additional costs on us, limit the products that we offer, limit our ability to pursue business opportunities in an efficient manner, require us to increase our regulatory capital, impact the value of assets that we hold, significantly reduce our revenues or otherwise materially and adversely affect our businesses, financial condition and results of operations. We can provide no assurance regarding the manner in which any new laws and regulations will affect us. See "*Risk Factors We are subject to extensive regulation that could restrict our activities and impose financial requirements or limitations on the conduct of our business and limit our ability to receive dividends from our bank"* above.

Risks Related to an Investment in Our Common Stock

Our ability to pay cash dividends is limited, and we may be unable to pay future dividends even if we desire to do so.

Our ability to pay cash dividends may be limited by regulatory restrictions, by our bank's ability to pay cash dividends to our holding company and by our need to maintain sufficient capital to support our operations. The ability of our bank to pay cash dividends to our holding company is limited by its obligation to maintain sufficient capital and by other restrictions on its cash dividends that are applicable to national banks and banks that are regulated by the FDIC. If our bank is not permitted to pay cash dividends to our holding company, it is unlikely that we would be able to pay cash dividends on our common stock. Moreover, holders of our common stock are entitled to receive dividends only when, and if declared by our board of directors. Although we have historically paid cash dividends on our common stock, we are not required to do so and our board of directors could reduce or eliminate our common stock dividend in the future. See above "*Risk Factors We are subject to extensive regulation that could restrict our activities and impose financial requirements or limitations on the conduct of our business and limit our ability to receive dividends from our bank".*

We may issue additional shares of stock or equity derivative securities that will dilute the percentage ownership interest of existing shareholders and may dilute the book value per share of our common stock and adversely affect the terms on which we may obtain additional capital.

Our authorized capital includes 40,000,000 shares of common stock and 10,000,000 shares of preferred stock. As of December 31, 2011, we had 14,039,422 shares of common stock outstanding and had reserved for issuance 370,207 shares underlying options that are or may become exercisable at an average price of $30.69 per share. In addition, as of December 31, 2011, we had the ability to issue 70,453 shares of common stock pursuant to options and restricted stock that may be granted in the future under our existing equity compensation plans. Further, in connection with the planned merger with Peoples, which was announced on December 20, 2011, we intend to issue approximately 1,004,000 shares of our common stock to Peoples' shareholders. The transaction, which is expected to close during the second quarter of 2012, is subject to, among other things, required regulatory approvals and the affirmative vote of the holders of two-thirds of the outstanding shares of Peoples. As of December 31, 2011, we had no shares of preferred stock outstanding.

Subject to applicable NASDAQ rules, our board generally has the authority, without action by or vote of the shareholders, to issue all or part of any authorized but unissued shares of stock for any corporate purpose, including issuance of equity-based incentives under or outside of our equity compensation plans. We may seek additional equity capital in the future as we develop our business and expand our operations. Any issuance of additional shares of stock or equity derivative securities will dilute the percentage ownership interest of our shareholders and may dilute the book value per share of our common stock. Shares we issue in connection with any such offering will increase the total number of outstanding shares and may dilute the economic and voting ownership interest of our existing shareholders.

Our stock price may be volatile, which could result in losses to our investors and litigation against us.

Our stock price has been volatile in the past and several factors could cause the price to fluctuate substantially in the future. These factors include but are not limited to: actual or anticipated variations in earnings, changes in analysts' recommendations or projections, our announcement of developments related to our businesses, operations and stock performance of other companies deemed to be peers, new technology used or services offered by traditional and non-traditional competitors, news reports of trends, concerns, irrational exuberance on the part of investors, and other issues related to the financial services industry. Our stock price may fluctuate significantly in the future, and these fluctuations may be unrelated to our performance. General market declines or market volatility in the future, especially in the financial institutions sector, could adversely affect the price of SCBT's common stock, and the current market price may not be indicative of future market prices.

Stock price volatility may make it more difficult for our investors to resell their common stock when they desire and at prices they find attractive. Moreover, in the past, securities class action lawsuits have been instituted against some companies following periods of volatility in the market price of its securities. We could in the future be the target of similar litigation. Securities litigation could result in substantial costs and divert management's attention and resources from our normal business.

Future sales of our stock by our shareholders or the perception that those sales could occur may cause our stock price to decline.

Although our common stock is listed for trading in The NASDAQ Global Select Market℠, the trading volume in our common stock is lower than that of other larger financial services companies. A public trading market having the desired characteristics of depth, liquidity and orderliness depends on the presence in the marketplace of willing buyers and sellers of our common stock at any given time. This presence depends on the individual decisions of investors and general economic and market conditions over which we have no control. Given the relatively low trading volume of our common stock, significant sales of our common stock in the public market, or the perception that those sales may occur, could cause the trading price of our common stock to decline or to be lower than it otherwise might be in the absence of those sales or perceptions.

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The existence of outstanding stock options issued to our current or former executive officers, directors, and employees may result in dilution of your ownership and adversely affect the terms on which we can obtain additional capital.

As of December 31, 2011, we had outstanding options to purchase 370,207 shares of our common stock at a weighted average exercise price of $30.69 per share. All of these options are held by our current or former executive officers, directors, and employees. Also, as of December 31, 2011, we had the ability to issue options and restricted stock to purchase an additional 70,453 shares of our common stock. The issuance of shares subject to options under the equity compensation plans will result in dilution of our shareholders' ownership of our common stock.

The exercise of stock options could also adversely affect the terms on which we can obtain additional capital. Option holders are most likely to exercise their options when the exercise price is less than the market price for our common stock. They profit from any increase in the stock price without assuming the risks of ownership of the underlying shares of common stock by exercising their options and selling the stock immediately.

State law and provisions in our articles of incorporation or bylaws could make it more difficult for another company to purchase us, even though such a purchase may increase shareholder value.

In many cases, shareholders may receive a premium for their shares if we were purchased by another company. State law and our articles of incorporation and bylaws could make it difficult for anyone to purchase us without the approval of our board of directors. For example, our articles of incorporation divide the board of directors into three classes of directors serving staggered three-year terms with approximately one-third of the board of directors elected at each annual meeting of shareholders. This classification of directors makes it more difficult for shareholders to change the composition of the board of directors. As a result, at least two annual meetings of shareholders would be required for the shareholders to change a majority of the directors, whether or not a change in the board of directors would be beneficial and whether or not a majority of shareholders believe that such a change would be desirable.

Our articles of incorporation provide that a merger, exchange or consolidation of SCBT with, or the sale, exchange or lease of all or substantially all of our assets to, any person or entity (referred to herein as a "Fundamental Change"), must be approved by the holders of at least 80% of our outstanding voting stock if the board of directors does not recommend a vote in favor of the Fundamental Change. The articles of incorporation further provide that a Fundamental Change involving a shareholder that owns or controls 20% or more of our voting stock at the time of the proposed transaction (a "Controlling Party") must be approved by the holders of at least (i) 80% of our outstanding voting stock, and (ii) 67% of our outstanding voting stock held by shareholders other than the Controlling Party, unless (x) the transaction has been recommended to the shareholders by a majority of the entire board of directors or (y) the consideration per share to be received by our shareholders generally is not less than the highest price per share paid by the Controlling Party in the acquisition of its holdings of our common stock during the preceding three years. The approval by the holders of at least 80% of our outstanding voting stock is required to amend or repeal these provisions contained in our articles of incorporation. Finally, in the event that any such Fundamental Change is not recommended by the board of directors, the holders of at least 80% of our outstanding voting stock must attend a meeting called to address such transaction, in person or by proxy, in order for a quorum for the conduct of business to exist. If the 80% and 67% vote requirements described above do not apply because the board of directors recommends the transaction or the consideration is deemed fair, as applicable, then pursuant to the provisions of the South Carolina Business Corporation Act, the Fundamental Change generally must be approved by two-thirds of the votes entitled to be cast with respect thereto.

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Consequently, a takeover attempt may prove difficult, and shareholders may not realize the highest possible price for their securities.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Our corporate headquarters are located in a four-story facility, located at 520 Gervais Street, Columbia, South Carolina. The Midlands region lead branch of SCBT, N.A., is also located in this approximately 57,000 square-foot building. The main offices of SCBT, N.A. are in a four-story facility with approximately 48,000 square feet of space for operating and administrative purposes, located at 950 John C. Calhoun Drive, S.E., Orangeburg, South Carolina. NCBT, a division of SCBT, N.A., leases approximately 13,000 square feet in a building located at 6525 Morrison Boulevard, Charlotte, North Carolina. The main offices of CBT, a division of SCBT, N.A., are located in a 12,000 square-foot facility at 448 North Main Street, Cornelia, Georgia. Including these main locations, our bank owns fifty-eight properties and leases thirty-three properties, all of which are used, substantially, as branch locations or for housing other operational units in North and South Carolina and Georgia.

Although the properties owned and leased are generally considered adequate, we have a continuing program of modernization, expansion, and when necessary, occasional replacement of facilities.

Item 3. Legal Proceedings.

As of December 31, 2011 and the date of this form 10-K, we believe that we are not a party to, nor is any of our property the subject of, any pending material proceeding other than those that may occur in the ordinary course of our business, except that on January 18, 2012, two purported shareholders of Peoples filed a class action lawsuit in the Court of Common Pleas for the Thirteenth Judicial District, State of South Carolina, County of Pickens, captioned *F. Davis Arnette and Mary F. Arnette* v. *Peoples Bancorporation, Inc.*, Case No. 2012-CP-39-0064. The Complaint names as defendants Peoples, the current members of Peoples' board of directors, and SCBT. The Complaint is brought on behalf of a putative class of shareholders of Peoples common stock and seeks a declaration that it is properly maintainable as a class action. The Complaint alleges that Peoples' directors breached their fiduciary duties by failing to maximize shareholder value in connection with the pending merger between SCBT and Peoples, and also alleges that SCBT aided and abetted those breaches of fiduciary duty. The Complaint seeks declaratory and injunctive relief to prevent the completion of the merger, an accounting to determine damages sustained by the putative class, and costs including plaintiffs' attorneys' and experts' fees. SCBT believes that the claims asserted in the Complaint are without merit and that the proceeding will not have any material adverse effect on the financial condition or operations of SCBT.

Item 4. Mine Safety Disclosures.

Not applicable.

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PART II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

(a)

The table below describes historical information regarding our common equity securities:

	2011	2010	2009	2008	2007
Stock Performance					
Dividends per share	**$ 0.68**	$ 0.68	$ 0.68	$ 0.68	$ 0.68
Dividend payout ratio	**51.92%**	16.43%	74.66%	40.93%	29.17%
Dividend yield (based on the average of the high and low for the year)	**2.26%**	1.98%	2.67%	1.90%	1.94%
Price/earnings ratio (based on year-end stock price and diluted earnings per share)	**17.80x**	8.03x	37.42x	22.70x	13.65x
Price/book ratio (end of year)	**1.07x**	1.27x	1.25x	1.58x	1.50x
Common Stock Statistics					
Stock price ranges:					
High	**$ 36.18**	$ 41.03	$ 34.37	$ 45.24	$ 40.84
Low	**24.02**	27.59	16.53	26.25	28.29
Close	**29.01**	32.75	27.69	34.50	31.67
Volume traded on exchanges	**8,048,600**	9,948,300	11,219,700	8,098,600	4,359,700
As a percentage of average shares outstanding	**58.16%**	77.91%	92.07%	75.65%	42.91%
Earnings per share, basic	**$ 1.65**	$ 4.11	$ 0.74	$ 1.53	$ 2.33
Earnings per share, diluted	**1.63**	4.08	0.74	1.52	2.32
Book value per share	**27.19**	25.79	22.20	21.77	21.17

In reference to the table above, per share data have been retroactively adjusted to give effect to a 5% common stock dividend paid to shareholders of record on March 9, 2007. Also, we generally pay cash dividends on common shares out of earnings generated by SCBT in the preceding quarter; therefore, our dividend payout ratio is calculated by dividing total dividends paid during 2011 by the total net income available to common shareholders reported in the fourth quarter of 2010, first quarter of 2011, second quarter of 2011 and third quarter of 2011.

Quarterly Common Stock Price Ranges and Dividends

	Year Ending December 31, 2011			Year Ending December 31, 2010		
Quarter	**High**	**Low**	**Dividend**	**High**	**Low**	**Dividend**
1st	**$ 34.00**	**$ 30.10**	**$ 0.17**	$ 38.78	$ 27.59	$ 0.17
2nd	**36.18**	**27.10**	**0.17**	41.03	32.78	0.17
3rd	**31.00**	**24.54**	**0.17**	35.36	28.28	0.17
4th	**30.82**	**24.02**	**0.17**	32.86	29.84	0.17

As of March 2, 2012, we had issued and outstanding 14,056,363 shares of common stock which were held by approximately 5,300 shareholders of record. Our common stock trades in The NASDAQ Global Select Market^{SM} under the symbol "SCBT."

SCBT is a legal entity separate and distinct from its subsidiary bank. The Federal Reserve Board has issued a policy statement on the payment of cash dividends by bank holding companies, which expresses the Federal Reserve Board's view that a bank holding company generally should pay cash

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dividends only to the extent that the holding company's net income for the past year is sufficient to cover both the cash dividends and a rate of earnings retention that is consistent with the holding company's capital needs, asset quality, and overall financial condition. The Federal Reserve Board also indicated that it would be inappropriate for a bank holding company experiencing serious financial problems to borrow funds to pay dividends.

We pay cash dividends to SCBT shareholders from our assets, which are provided primarily by dividends paid to SCBT by our bank subsidiary. Certain restrictions exist regarding the ability of our subsidiary to transfer funds to SCBT in the form of cash dividends, loans or advances. The approval of the OCC is required to pay dividends in excess of our bank's respective retained net profits for the current year plus retained net profits (net profits less dividends paid) for the preceding two years, less any required transfers to surplus. As of December 31, 2011, approximately $66.6 million of our bank's retained earnings were available for distribution to SCBT as dividends without prior regulatory approval. For the year ended December 31, 2011, our bank paid dividends of approximately $9.5 million to SCBT. We anticipate that we will continue to pay comparable cash dividends from our bank to SCBT in the future, although, this is evaluated each quarter.

Cumulative Total Return Performance

			Period Ending			
	12/31/2006	**12/31/2007**	**12/31/2008**	**12/31/2009**	**12/31/2010**	**12/31/2011**
SCBT Financial Corporation	$ 100.00	$ 81.29	$ 90.42	$ 74.56	$ 89.98	$ 81.56
NASDAQ Composite Index	$ 100.00	$ 110.66	$ 66.42	$ 96.54	$ 114.06	$ 113.16
SNL Southeast Bank Index	$ 100.00	$ 75.33	$ 30.50	$ 30.62	$ 29.73	$ 17.39

The performance graph above compares SCBT's cumulative total return over the most recent five-year period with the NASDAQ Composite and the SNL Southeast Bank Index, a banking industry

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performance index for the Southeastern United States. Returns are shown on a total return basis, assuming the reinvestment of dividends and a beginning stock index value of $100 per share. The value of SCBT's stock as shown in the graph is based on published prices for transactions in SCBT stock.

(b)
Not applicable.

(c)
Issuer Purchases of Equity Securities:

In February 2004, we announced a program with no formal expiration date to repurchase up to 250,000 of our common shares. The following table reflects share repurchase activity during the fourth quarter of 2011:

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
October 1 - October 31	*	$		147,872
November 1 - November 30	676*	28.52		147,872
December 1 - December 31	2,431*	28.70		147,872
Total	3,107			147,872

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

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Item 6. Selected Financial Data.

The following table presents selected financial and quantitative data for the five years ended December 31 for SCBT Financial Corporation:

(Dollars in thousands, except per share)	2011	2010	2009	2008	2007
Balance Sheet Data Period End					
Assets	**$ 3,896,557**	$ 3,594,791	$ 2,702,188	$ 2,766,710	$ 2,597,183
Acquired loans	**402,201**	321,038			
Non-acquired loans	**2,470,565**	2,296,200	2,203,238	2,316,076	2,083,047
Loans, net of unearned income*	**2,872,766**	2,617,238	2,203,238	2,316,076	2,083,047
Investment securities	**324,056**	237,912	211,112	222,227	258,309
FDIC receivable for loss share agreements	**262,651**	212,103			
Goodwill and other intangible assets	**74,426**	72,605	65,696	66,221	65,618
Deposits	**3,254,472**	3,004,148	2,104,639	2,153,274	1,927,889
Nondeposit borrowings	**227,119**	237,995	306,139	349,870	440,046
Shareholders' equity	**381,780**	329,957	282,819	244,928	215,065
Number of common shares outstanding	**14,039,422**	12,793,823	12,739,533	11,250,603	10,160,432
Book value per common share	**27.19**	25.79	22.20	21.77	21.17
Tangible book value per common share****	**21.89**	20.12	17.04	15.88	14.71
Annualized Performance Ratios					
Return on average assets	**0.58%**	1.43%	0.48%	0.58%	0.95%
Return on average equity	**6.10**	15.45	4.66	7.00	12.42
Return on average tangible equity****	**8.10**	20.12	6.18	10.13	16.15
Net interest margin (taxable equivalent)	**4.66**	4.00	4.05	3.83	3.85
Efficiency ratio	**68.77**	46.68	61.17	63.17	65.31
Dividend payout ratio	**51.92**	16.43	74.66	40.93	29.17
Asset Quality Ratios					
Allowance for loan losses to period end loans**	**2.00%**	2.07%	1.70%	1.36%	1.28%
Allowance for loan losses to period end nonperforming loans**	**64.19**	68.71	75.38	211.34	419.22
Nonperforming assets to period end loans and repossessed assets**	**3.82**	3.74	2.40	0.91	0.33
Nonperforming assets to period end total assets**	**2.44**	2.41	1.96	0.76	0.27
Net charge-offs to average loans**	**1.12**	1.99	0.92	0.26	0.13
Capital Ratios					
Equity to assets	**9.80%**	9.18%	10.47%	8.85%	8.28%
Tangible equity to tangible assets****	**8.04**	7.31	8.24	6.62	5.90
Tier 1 leverage ratio	**9.12**	8.48	9.89	8.54	8.42
Tier 1 risk-based capital	**14.09**	13.34	12.47	10.42	9.64
Total risk-based capital	**15.36**	14.60	14.42	12.34	10.89
Other Data					
Number of financial centers***	**70**	76	48	50	50
Number of employees (full-time equivalent basis)	**1,071**	1,015	700	692	701

* Excludes loans held for sale.

** Excludes assets covered under FDIC loss share agreements.

*** As of March 2, 2012, SCBT had 68 financial centers due to two branches closing as part of the branch consolidation initiative.

****
A reconciliation of non-GAAP measures to GAAP is presented on page 40.

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The table below provides a reconciliation of non-GAAP measures to GAAP for the five years ended December 31:

(Dollars in thousands)	2011	2010	2009	2008	2007
Pre-tax, pre-provision income					
Pre-tax, pre-provision income (non-GAAP)	**$ 63,593**	$ 135,110	$ 47,190	$ 35,030	$ 36,634
Less:					
Provision for loan losses	**30,236**	54,282	26,712	10,736	4,384
Provision for income taxes	**10,762**	28,946	6,883	8,509	10,685
Net income (GAAP)	**$ 22,595**	$ 51,882	$ 13,595	$ 15,785	$ 21,565
Tangible book value per common share					
Tangible book value per common share (non-GAAP)	**$ 21.89**	$ 20.12	$ 17.04	$ 15.88	$ 14.71
Effect to adjust for tangible assets	**5.30**	5.67	5.16	5.89	6.46
Book value per common share (GAAP)	**$ 27.19**	$ 25.79	$ 22.20	$ 21.77	$ 21.17
Return on average tangible equity					
Return on average tangible equity (non-GAAP)	**8.10%**	20.12%	6.18%	10.13%	16.15%
Effect to adjust for tangible assets	**(2.00)%**	(4.67)%	(1.52)%	(3.13)%	(3.73)%
Return on average equity (GAAP)	**6.10%**	15.45%	4.66%	7.00%	12.42%
Tangible equity to tangible assets					
Tangible equity to tangible assets (non-GAAP)	**8.04%**	7.31%	8.24%	6.62%	5.90%
Effect to adjust for tangible assets	**1.76%**	1.87%	2.23%	2.23%	2.38%
Equity to assets (GAAP)	**9.80%**	9.18%	10.47%	8.85%	8.28%

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

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The following table presents selected financial data for the five years ended December 31:

(Dollars in thousands, except per share)	2011	2010	2009	2008	2007
Summary of Operations					
Interest income	**$ 171,718**	$ 155,354	$ 141,798	$ 156,075	$ 149,199
Interest expense	**20,266**	32,737	37,208	60,298	68,522
Net interest income	**151,452**	122,617	104,590	95,777	80,677
Provision for loan losses	**30,236**	54,282	26,712	10,736	4,384
Net interest income after provision for loan losses	**121,216**	68,335	77,878	85,041	76,293
Noninterest income	**55,119**	137,735	26,246	19,049	27,359
Noninterest expense	**142,978**	125,242	83,646	79,796	71,402
Income before provision for income taxes	**33,357**	80,828	20,478	24,294	32,250
Provision for income taxes	**10,762**	28,946	6,883	8,509	10,685
Net income	**22,595**	51,882	13,595	15,785	21,565
Preferred stock dividends			1,115		
Accretion on preferred stock discount			3,559		
Net income available to common shareholders	**$ 22,595**	$ 51,882	$ 8,921	$ 15,785	$ 21,565
Earnings Per Common Share					
Net income available to common shareholders, basic	**$ 1.65**	$ 4.11	$ 0.74	$ 1.53	$ 2.33
Net income available to common shareholders, diluted	**1.63**	4.08	0.74	1.52	2.32
Cash dividends	**0.68**	0.68	0.68	0.68	0.68

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Forward-Looking Statements

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

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

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

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

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

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

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

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

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

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

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

- Cybersecurity risk related to our dependence on internal computer systems as well as the technology of outside service providers subjects us to business disruptions or financial losses resulting from deliberate attacks or unintentional events;

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

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

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

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Additional information with respect to factors that may cause actual results to differ materially from those contemplated by our forward-looking statements may also be included in other reports that SCBT files with the Securities and Exchange Commission. SCBT cautions that the foregoing list of risk factors is not exclusive and not to place undue reliance on forward-looking statements.

For any forward-looking statements made in this Report or in any documents incorporated by reference into this Report, we claim the protection of the safe harbor for forward looking statements contained in the Private Securities Litigation Reform Act of 1995. Such forward-looking statements speak only as of the date of this Report or the date of any document incorporated by reference in Report. We do not undertake to update forward looking statements to reflect facts, circumstances, assumptions or events that occur after the date the forward-looking statements are made. All subsequent written and oral forward looking statements by SCBT or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this Report

Introduction

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") describes SCBT Financial Corporation and its subsidiary's results of operations for the year ended December 31, 2011 as compared to the year ended December 31, 2010, and the year ended December 31, 2010 as compared to the year ended December 31, 2009, and also analyzes our financial condition as of December 31, 2011 as compared to December 31, 2010. Like most financial institutions, we derive most of our income from interest we receive on our loans and investments. Our primary source of funds for making these loans and investments is our deposits, on most of which we pay interest. Consequently, one of the key measures of our success is the amount of net interest income, or the difference between the income on our interest-earning assets, such as loans and investments, and the expense on our interest-bearing liabilities, such as deposits. Another key measure is the spread between the yield we earn on these interest-earning assets and the rate we pay on our interest-bearing liabilities.

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

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

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

Overview

We achieved a net income of $22.6 million, or $1.63 diluted earnings per share ("EPS"), during 2011 compared to $51.9 million, or $4.08 diluted EPS in 2010. In 2010, we recorded a $98.1 million pre-tax gain on the acquisition of CBT compared to a $16.5 million pre-tax gain from the Habersham and BankMeridian acquisitions during 2011. Net interest income was up $28.8 million, or 23.5%, due primarily to improved yields on our acquired loan portfolio resulting in interest income being up $16.4 million, or 10.5%, and continued reduction of interest expense of $12.5 million, or 38.1%, related to all funding categories (deposits and other borrowings). Provision for loan losses declined by more than $24.0 million compared to 2010 due to reduced net charge offs of $17.5 million and improved credit quality indicators during the year. Noninterest income declined by $82.6 million due to an

$81.6 million reduction in gains on acquisitions. Noninterest expense was up over the prior year by $17.7 million due primarily to a significant increase in OREO and loan collection cost being up $9.1 million over the prior year and salaries and benefits being up $8.1 million from the acquisitions, merit increases, and continued rise in benefit cost. Income taxes declined by $18.2 million due primarily to the much larger pre-tax income in 2010 than 2011, and tax free income comprised a larger portion of net income in 2011 than 2010.

At December 31, 2011, total classified assets and non-acquired loans 30-89 days past due and accruing improved from the level at December 31, 2010 by $4.7 million, or 2.5%, to $184.4 million and by $3.7 million, or 28.6%, to $9.2 million, respectively. Net charge offs as a percentage of average loans for 2011 equaled 1.12% compared to 1.99% in 2010. Nonperforming assets ("NPAs") increased to $94.9 million at December 31, 2011 up from $86.5 million at December 31, 2010, due primarily to an increase in restructured loans. NPAs as a percentage of loans and repossessed assets increased slightly to 3.82% at December 31, 2011 as compared to 3.74% at December 31, 2010. NPAs to total assets at December 31, 2011 were 2.44% compared to 2.41% at the end of 2010. These increases in NPAs continue to reflect the pressure within the coastal real estate market and to a lesser degree within the U.S. economy as a whole.

Our efficiency ratio was 68.8% at December 31, 2011 as compared to 46.7% at December 31, 2010. This higher ratio was the result of the smaller gains from the Habersham and BankMeridian acquisitions compared to the gain from the CBT acquisition combined with higher noninterest expense. On an adjusted basis for December 31, 2011 and 2010, the efficiency ratio was 73.0% excluding the gains from the Habersham and BankMeridian transactions and merger costs for 2011 compared to 67.9% excluding the CBT gain, merger costs, FHLB penalty cost, and SCBA insurance termination costs for 2010.

Balance sheet growth in loans and core deposit accounts continued to strengthen our overall balance sheet position. Core deposits, excluding all time deposits, now comprise 72% of our total deposit base, compared to 62% at December 31, 2010. Our non-acquired loan portfolio grew by almost 8.0% in 2011, or $174.4 million.

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

We continue to remain well-capitalized with a total risk-based capital ratio of 15.36% and 9.12% Tier 1 leverage ratio, as of December 31, 2011, compared to 14.60% and 8.48%, at December 31, 2010. The increase from the prior year reflected the $34.8 million dollar capital raise during the first quarter of 2011 as well as the pre-tax acquisition gains totaling $16.5 million recorded on the Habersham and BankMeridian acquisitions. We believe our current capital ratios position us well during this time of continued economic uncertainty.

At December 31, 2011, we had $3.9 billion in assets and 1,071 full-time equivalent employees. Through our banking subsidiary we provide our customers with checking accounts, NOW accounts, savings and time deposits of various types, brokerage services and alternative investment products such as annuities and mutual funds, trust and asset management services, loans for businesses, agriculture, real estate, personal use, home improvement and automobiles, credit cards, letters of credit, home equity lines of credit, safe deposit boxes, bank money orders, wire transfer services, correspondent banking services, and use of ATM facilities.

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Recent Government Actions

Please see the caption "Government Actions" under PART I, Item 1 Business on page 8.

Critical Accounting Policies and Estimates

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

Allowance for Loan Losses

The allowance for loan losses reflects the estimated losses that will result from the inability of our bank's borrowers to make required loan payments. The allowance for loan losses is established for estimated loan losses through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes that the collectability of the principal is unlikely. Subsequent recoveries, if any, are credited to the allowance.

The allowance consists of general and specific reserves. The general reserves are determined, for loans not identified as impaired, 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, for impaired loans, on a loan-by-loan basis based on management's evaluation of the Company's exposure for each credit, given the current payment status of the loan and the value of any underlying collateral. Management evaluates loans that are classified as doubtful, substandard or special mention to determine whether or not they are impaired. For such loans that are 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. The Company requires updated appraisals on at least an annual basis for impaired loans that are collateral dependent. Generally, the need for specific reserve is evaluated on impaired loans greater than $250,000.

Other Real Estate Owned ("OREO")

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

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

Goodwill and Other Intangible Assets

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

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

Our stock price has historically traded above its book value and tangible book value. During 2011, the lowest trading price for our stock was $24.02, and the stock price closed on December 31, 2011 at $29.01, above book value and tangible book value. We evaluated the carrying value of goodwill as of April 30, 2011, our annual test date, and determined that no impairment charge was necessary. Should our future earnings and cash flows decline, discount rates increase, and/or the market value of our stock decrease, an impairment charge to goodwill and other intangible assets may be required.

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

Income Taxes and Deferred Tax Assets

Income taxes are provided for the tax effects of the transactions reported in our condensed consolidated financial statements and consist of taxes currently due plus deferred taxes related to differences between the tax basis and accounting basis of certain assets and liabilities, including available-for-sale securities, allowance for loan losses, accumulated depreciation, net operating loss carry forwards, accretion income, deferred compensation, intangible assets, and pension plan and post-retirement benefits. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred tax assets and liabilities are reflected at income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. A valuation allowance is recorded in situations where it is "more likely than not" that a deferred tax asset is not realizable. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. We file a consolidated federal income tax return for our subsidiary bank. At December 31, 2011, we are in a deferred tax liability position which resulted from the acquisition gains recorded in 2010 and 2011. In addition, we evaluate the need for income tax reserves related to uncertain income tax positions but had no such reserves at December 31, 2011.

Other-Than-Temporary Impairment ("OTTI")

We evaluate securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, (3) the outlook for receiving the contractual cash flows of the investments, (4) the anticipated outlook for changes in the general level of interest rates, and (5) our intent and ability to retain our investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value or for a debt security whether it is more-likely-than-not that the Company will be required to sell the debt security prior to recovering its fair value. See page 57 "Available-for-sale" for further discussion.

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

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

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

In accordance with FASB ASC Topic 805, the FDIC Indemnification Asset was initially recorded at its fair value, and is measured separately from the loan assets and foreclosed assets because the loss sharing agreements are not contractually embedded in them or transferrable with them in the event of disposal. The FDIC indemnification asset is measured at carrying value subsequent to initial measurement. Improved cash flows of the underlying covered assets will result in impairment of the FDIC indemnification asset and negative accretion through non-interest income will result. Impairment of the underlying covered assets will result in improved cash flows of the FDIC indemnification asset and a credit to the provision for loan losses for acquired loans will result.

For further discussion of the Company's loan accounting and acquisitions, see Note 1 Summary of Significant Accounting Policies, Note 2 Mergers and Acquisitions to the audited condensed consolidated financial statements and Note 5 Loans and Allowance for Loan Losses.

Recent Accounting Standards and Pronouncements

For information relating to recent accounting standards and pronouncements, see Note 1 to our audited consolidated financial statements entitled "Summary of Significant Accounting Policies."

Results of Operations

Consolidated net income available to common shareholders decreased by $29.3 million for the year ended December 31, 2011 compared to the year ended December 31, 2010. The decrease reflects the smaller acquisition gains recorded on the Habersham and BankMeridian acquisitions in comparison with the acquisition gain recorded during 2010 on the CBT acquisition and higher noninterest expense throughout the year partially offset by improved net interest income and a lower provision for loan losses. Below are key highlights of our results of operations during 2011:

Consolidated net income available to common shareholders decreased 56.4% to $22.6 million in 2011 compared with $51.9 million in 2010, and increased from $8.9 million in 2009, which reflected an increase of 481.7% in 2010 compared to 2009.

Basic earnings per common share increased 59.9% to $1.65 in 2011 compared with $4.11 in 2010, and increased from $0.74 in 2009.

Diluted earnings per common share decreased 60.0% to $1.63 in 2011 compared with $4.08 in 2010, and increased from $0.74 in 2009.

Book value per common share was $27.19 at the end of 2011, an increase from $25.79 at the end of 2010 and $22.20 at the end of 2009.

Return on average assets decreased to 0.58% in 2011, compared with 1.43% in 2010, and increased compared to 0.48% in 2009. Our return on average assets was affected by an increase in average total assets and a decrease in net income caused primarily by the smaller acquisition gains on the Habersham and BankMeridian acquisitions partially offset by a 44.3% decrease in the provision for loan losses for the year ended December 31, 2011 compared to December 31, 2010.

Return on average shareholders' equity decreased to 6.10% in 2011, compared with 15.45% in 2010, and increased from 4.66% in 2009. The decrease reflected the significant impact of higher net income for the year ended December 31, 2010 from the CBT acquisition gain.

Our dividend payout ratio increased to 51.92% for the year ended December 31, 2011 compared with 16.43% in 2010, and decreased compared to 74.66% in 2009. The increase from 2010 to 2011 reflects lower net income available to common shareholders for the year ended December 31, 2011 due primarily to the smaller acquisition gains recorded on the FDIC-assisted acquisitions of Habersham and BankMeridian during 2011 as compared to the acquisition gain on CBT during 2010. See the paragraph in Item 5.a. on page 36 for more information on the calculation of the Company's dividend payout ratio.

Our equity to assets ratio increased to 9.80% at December 31, 2011 compared with 9.18% in 2010, and decreased compared with 10.47% in 2009.

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The impacts of the improvement in the yields on acquired loans and a decline in the average rate of interest-bearing liabilities of 47 basis points were the main drivers causing net interest income to increase by $28.8 million, or 23.5%, during 2011. The 22 basis point increase in the average yield on interest-earning assets and the growth in the average balance of interest-earning assets of $181.6 million, or 5.9%, drove total interest income to increase by $16.4 million, or 10.5%. The higher total interest income resulted primarily from improvement in the yields on acquired loan portfolios. The average balance of interest-bearing liabilities grew by $104.1 million, or 3.7%; however, the 59 basis point decline in the average rate on certificates and other time deposits along with the $193.8 decline in the average balance of certificates and other time deposits drove total interest expense to decrease by $12.5 million, or 38.1%. Overall, the higher net interest income was largely a result of improved yields on the acquired loan portfolios and average rates on interest-bearing liabilities declining more quickly than average yields on interest-earning assets.

In the table below, we have reported our results of operations by quarter for the years ended December 31, 2011 and 2010.

Table 1 Quarterly Results of Operations (unaudited)

	2011 Quarters				**2010 Quarters**			
(Dollars in thousands)	**Fourth**	**Third**	**Second**	**First**	**Fourth**	**Third**	**Second**	**First**
Interest income	**$ 43,825**	**$ 45,307**	**$ 43,331**	**$ 39,255**	$ 39,789	$ 39,249	$ 39,112	$ 37,204
Interest expense	**3,900**	**4,627**	**5,330**	**6,409**	7,974	8,238	7,952	8,573
Net interest income	**39,925**	**40,680**	**38,001**	**32,846**	31,815	31,011	31,160	28,631
Provision for loan losses	**7,057**	**8,323**	**4,215**	**10,641**	10,667	10,328	12,509	20,778
Noninterest income	**9,663**	**20,791**	**8,792**	**15,873**	13,256	11,830	11,028	101,621
Noninterest expense	**36,548**	**37,158**	**35,048**	**34,224**	33,746	29,932	28,984	32,580
Income before income taxes	**5,983**	**15,990**	**7,530**	**3,854**	658	2,581	695	76,894
Income taxes	**1,154**	**5,658**	**2,612**	**1,338**	99	794	120	27,933
Net income	**$ 4,829**	**$ 10,332**	**$ 4,918**	**$ 2,516**	$ 559	$ 1,787	$ 575	$ 48,961
Earnings Per Common Share								
Net income available to common shareholders, basic	**$ 0.35**	**$ 0.75**	**$ 0.36**	**$ 0.19**	$ 0.04	$ 0.14	$ 0.05	$ 3.89
Net income available to common shareholders, diluted	**0.35**	**0.74**	**0.35**	**0.19**	0.04	0.14	0.05	3.86
Cash dividends	**0.17**	**0.17**	**0.17**	**0.17**	0.17	0.17	0.17	0.17

Net Interest Income

Net interest income is the largest component of our net income. Net interest income is the difference between income earned on interest-earning assets and interest paid on deposits and borrowings. Net interest income is determined by the yields earned on interest-earning assets, rates paid on interest-bearing liabilities, the relative balances of interest-earning assets and interest-bearing liabilities, the degree of mismatch, and the maturity and repricing characteristics of interest-earning assets and interest-bearing liabilities. Net interest income divided by average interest-earning assets represents our net interest margin.

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The Federal Reserve's Federal Open Market Committee's Fed funds remained at a target range of zero to 0.25% for the year ended December 31, 2011. We continued to reduce rates on all of our deposit products in 2011 in line with the historically low Fed funds target. The reductions in the rates on interest-bearing liabilities contributed to higher net interest income for 2011 as compared to 2010. The repricing of our certificates of deposits to lower interest rates drove interest expense lower by $9.2 million for the year ended December 31, 2011. While the average balances of certificates of deposits declined by $193.8 million, the ending balance decreased $249.7 million from the balance at December 31, 2010. Interest expense from other borrowings also declined by $1.4 million in 2011 compared to 2010, due to the repayment of all FHLB advances in the first quarter of 2010 and repayment of subordinated indebtedness of $15.0 million during the fourth quarter of 2010. The average rates on interest-bearing liabilities adjusted downward more quickly than the decrease in average yields on interest-earning assets.

Net interest income highlighted for the year ended December 31, 2011:

- Net interest income increased by $28.8 million, or 23.5%, to $151.5 million during 2011.
- Higher 2011 net interest income was driven by a 48 basis point decrease in the average rate on interest-bearing liabilities.
- A decrease in the average rate on certificates and other time deposits was the largest contributor to the rate decrease.
- An increase of 70 basis points in net interest spread contributed to higher net interest income during 2011.
- Non-TE (non-taxable equivalent) net interest margin increased 66 basis points to 4.61% from 3.95% in 2010.
- Net interest margin (taxable equivalent) increased 66 basis points to 4.66% during 2011.
- Interest-free funds favorably impacted net interest margin by 8 basis points, a decrease of 4 basis points from December 31, 2010. The decrease is being driven largely by the decrease in the cost of funds which dampens the impact of interest free funds.
- The yield on acquired loans was 10.69% and positively impacted the net interest margin. This partially offset the impact of declining interest rates on non-acquired loans.

Net interest income highlighted for the year ended December 31, 2010:

- Net interest income increased by $18.0 million, or 17.2%, to $122.6 million during 2010.
- Higher 2010 net interest income was driven by a 53 basis point decrease in the average rate on interest-bearing liabilities.
- A decrease in the average rate on certificates and other time deposits was the largest contributor to the rate decrease.
- An increase of 9 basis points in net interest spread contributed to higher net interest income during 2010.
- Non-TE (non-taxable equivalent) net interest margin decreased 7 basis points to 3.95% from 4.02% in 2009.

Net interest margin (taxable equivalent) decreased 5 basis points to 4.00% during 2010.

Interest-free funds favorably impacted net interest margin by 12 basis points, a decrease of 16 basis points from December 31, 2009. The decrease is being driven largely by the Federal Reserve lowering the targets on Federal funds.

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The yield on acquired loans was 5.6% and positively impacted the net interest margin. This partially offset the impact of declining interest rates on non-acquired loans.

Table 2 Volume and Rate Variance Analysis

	2011 Compared to 2010 Increase (Decrease) due to			2010 Compared to 2009 Increase (Decrease) due to		
(Dollars in thousands)	**Volume(1)**	**Rate(1)**	**Total**	**Volume(1)**	**Rate(1)**	**Total**
Interest income on:						
Non-acquired loans, net of unearned income(2)	**$ 9,459**	**$ (10,378)**	**$ (919)**	$ (1,380)	$ (7,294)	$ (8,674)
Acquired loans, net of acquired ALL(4)	**542**	**19,313**	**19,855**		20,720	20,720
Loans held for sale	**(19)**	**(205)**	**(224)**	(194)	(129)	(323)
Investment securities:						
Taxable	**(49)**	**(2,295)**	**(2,344)**	3,375	(1,891)	1,484
Tax exempt(3)	**(57)**	**58**	**1**	48	(131)	(83)
Federal funds sold and securities purchased under agreements to resell and time deposits	**11**	**(16)**	**(5)**	425	7	432
Total interest income	**9,887**	**6,477**	**16,364**	2,274	11,282	13,556
Interest expense on:						
Deposits						
Transaction and money market accounts	**2,229**	**(4,081)**	**(1,852)**	2,470	1,750	4,220
Savings deposits	**257**	**(211)**	**46**	191	(86)	105
Certificates and other time deposits	**(2,997)**	**(6,166)**	**(9,163)**	6,242	(12,771)	(6,529)
Federal funds purchased and securities sold under agreements to repurchase	**(12)**	**(91)**	**(103)**	13	114	127
Other borrowings	**(1,514)**	**115**	**(1,399)**	(2,725)	331	(2,394)
Total interest expense	**(2,037)**	**(10,434)**	**(12,471)**	6,191	(10,662)	(4,471)
Net interest income	**$ 11,924**	**$ 16,911**	**$ 28,835**	$ (3,917)	$ 21,944	$ 18,027

(1) The rate/volume variance for each category has been allocated on an equal basis between rate and volumes.

(2) Nonaccrual loans are included in the above analysis.

(3) Tax exempt income is not presented on a taxable-equivalent basis in the above analysis.

(4) ALL is an abbreviation for the allowance for loan losses.

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Table 3 Yields on Average Interest-Earning Assets and Rates on Average Interest-Bearing Liabilities

	Years Ended December 31,								
	2011			2010			2009		
(Dollars in thousands)	Average Balance	Interest Earned/ Paid	Average Yield/ Rate	Average Balance	Interest Earned/ Paid	Average Yield/ Rate	Average Balance	Interest Earned/ Paid	Average Yield/ Rate
Assets									
Interest-earning assets:									
Non-acquired loans, net of unearned income(1)	$ 2,397,821	$ 120,664	5.03%	$ 2,224,746	$ 121,583	5.47%	$ 2,248,568	$ 130,257	5.79%
Acquired loans, net of acquired ALL(2)	379,678	40,575	10.69%	369,996	20,720	5.60%			%
Loans held for sale	26,760	966	3.61%	27,197	1,190	4.38%	31,187	1,513	4.85%
Investment securities:									
Taxable	249,042	7,641	3.07%	250,271	9,985	3.99%	179,148	8,501	4.75%
Tax-exempt	28,149	854	3.03%	30,168	853	2.83%	28,703	936	3.26%
Federal funds sold and securities purchased under agreements to resell and time deposits	202,291	1,018	0.50%	200,126	1,023	0.51%	116,422	591	0.51%
Total interest-earning assets	3,283,741	171,718	5.23%	3,102,504	155,354	5.01%	2,604,028	141,798	5.45%
Noninterest-earning assets:									
Cash and due from banks	78,543			62,249			44,192		
FDIC receivable for loss share agreements	278,164			239,397					
Other real estate owned	97,692			44,967			7,324		
Other assets	214,228			211,442			191,143		
Allowance for loan losses	(48,005)			(42,969)			(32,761)		
Total noninterest-earning assets	620,622			515,086			209,898		
Total assets	$ 3,904,363			$ 3,617,590			$ 2,813,926		
Liabilities									
Interest-bearing liabilities:									
Deposits									
Transaction and money market accounts	$ 1,325,344	$ 6,543	0.49%	$ 1,047,283	$ 8,395	0.80%	$ 658,030	$ 4,175	0.63%
Savings deposits	253,652	906	0.36%	195,252	860	0.44%	155,797	755	0.48%
Certificates and other time deposits	1,052,560	10,109	0.96%	1,246,372	19,272	1.55%	1,003,572	25,801	2.57%
Federal funds purchased and securities sold under agreements to repurchase	210,098	526	0.25%	214,096	629	0.29%	208,565	502	0.24%
Other borrowings	47,239	2,182	4.62%	81,822	3,581	4.38%	150,446	5,975	3.97%
Total interest-bearing liabilities	2,888,893	20,266	0.70%	2,784,825	32,737	1.18%	2,176,410	37,208	1.71%
Noninterest-bearing liabilities:									
Noninterest-bearing deposits	615,956			465,698			329,782		
Other liabilities	29,402			31,214			16,144		
Total noninterest-bearing liabilities	645,358			496,912			345,926		
Shareholders' equity	370,112			335,853			291,590		
Total noninterest-bearing liabilities and shareholders' equity	1,015,470			832,765			637,516		
Total liabilities and shareholders' equity	$ 3,904,363			$ 3,617,590			$ 2,813,926		
Net interest spread			4.53%			3.83%			3.74%
Impact of interest free funds			0.08%			0.12%			0.28%
Net interest margin (non-taxable equivalent)			4.61%			3.95%			4.02%
Net interest income		$ 151,452			$ 122,617			$ 104,590	

(1) Nonaccrual loans are included in the above analysis.

(2) ALL is an abbreviation for the allowance for loan losses.

Noninterest Income and Expense

Noninterest income provides us with additional revenues that are significant sources of income. In 2011, 2010, and 2009, noninterest income comprised 26.7%, 52.9%, and 20.1%, respectively, of total net interest and noninterest income. The decrease from 2010 resulted primarily from the $16.5 million pre-tax gains recorded for the Habersham and BankMeridian acquisitions for the year ended December 31, 2011 compared to the $98.1 million pre-tax gain recorded for the CBT acquisition for the year ended December 31, 2010.

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Table 4 Noninterest Income for the Three Years

	Years Ended December 31,		
(Dollars in thousands)	**2011**	**2010**	**2009**
Gain on acquisition	**$ 16,529**	$ 98,081	$
Service charges on deposit accounts	**22,654**	21,342	15,498
Bankcard services income	**11,721**	8,987	5,043
Mortgage banking income, net of commissions	**6,271**	6,564	6,552
Trust and investment services income	**5,464**	4,251	2,517
Securities gains (losses), net	**323**	292	82
Total other-than-temporary impairment losses	**(115)**	(6,770)	(10,494)
Portion of impairment losses recognized in other comprehensive loss			5,489
Net impairment losses recognized in earnings	**(115)**	(6,770)	(5,005)
Accretion (amortization) of FDIC indemnification asset	**(10,135)**	2,443	
Other	**2,407**	2,545	1,559
Total noninterest income	**$ 55,119**	$ 137,735	$ 26,246

Excluding the pre-tax gains from the CBT, Habersham and BankMeridian acquisitions, noninterest income decreased 2.7% for the year ended December 31, 2011 compared to 2010 resulting from the following:

Service charges on deposit accounts increased 6.1% driven by the increase in deposit accounts through organic growth combined with the Habersham and BankMeridian acquisitions.

Bankcard services income increased 30.4%. This increase was primarily the result of adding bankcard customers through organic growth as well as the Habersham and BankMeridian acquisitions.

Trust and investment services income increased 28.5% driven largely by the continued expansion of our trust asset management services in the Columbia and Spartanburg, South Carolina markets.

Net impairment losses recognized in earnings was lower during the year ended December 31, 2011 compared to the same period in 2010. We recorded $115,000 of OTTI on other equities for the year ended December 31, 2011 compared to $6.6 million of OTTI on all seven pooled trust preferred securities and $130,000 on other equities for the year ended December 31, 2010.

Accretion on the FDIC indemnification asset decreased $12.6 million, resulting from a decrease in expected cash flows from the FDIC related to the loss share agreement, which was first identified in the first quarter of 2011. This decrease in expected cash flows from the FDIC was driven by improvement in the cash flows in certain acquired loan pools during 2011 (additional detailed discussion of the accretion on the receivable for the FDIC loss share agreements can be found in MD&A under Business Combinations, Method of Accounting for Loans Acquired, and FDIC Indemnification Asset).

Excluding the pre-tax gains from the CBT acquisition, noninterest income increased 51.1% for the year ended December 31, 2010 compared to 2009 resulting from the following:

Service charges on deposit accounts increased 37.7% driven by the service charges on the acquired CBT deposit accounts.

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Bankcard services income increased 78.2%. This increase was primarily the result of adding CBT bankcard services income. Excluding CBT, bankcard services income was up 25.9% for the year ended December 31, 2010.

Trust and investment services income increased 68.9% driven largely by Wealth Management's expansion into the Spartanburg, South Carolina market in November of 2009 and the CBT acquisition in January of 2010.

Net impairment losses recognized in earnings was higher during the year ended December 31, 2010 compared to the same period in 2009. We recorded $6.6 million of OTTI on all seven pooled trust preferred securities and $130,000 on other equities for the year ended December 31, 2010 (additional detailed discussion of OTTI can be found in Note 4 Investment Securities).

Other noninterest income increased 219.9%, primarily driven by $2.4 million of accretion on the receivable for the FDIC loss share agreement from the CBT acquisition (additional detailed discussion of the accretion on the receivable for the FDIC loss share agreements can be found in Note 1 Summary of Significant Accounting Policies).

Noninterest expense represents the largest expense category for our company. During 2011, we continued to emphasize carefully controlling our noninterest expense.

Table 5 Noninterest Expense for the Three Years

	Years Ended December 31,		
(Dollars in thousands)	**2011**	**2010**	**2009**
Salaries and employee benefits	**$ 68,937**	$ 60,795	$ 40,787
OREO expense and loan related	**14,354**	5,304	5,641
Information services expense	**10,512**	9,144	5,557
Net occupancy expense	**9,674**	8,544	6,392
Furniture and equipment expense	**8,476**	7,530	6,049
FDIC assessment and other regulatory charges	**4,573**	5,283	5,449
Business development and staff related	**3,393**	3,258	1,947
Merger expense	**3,198**	5,504	
Advertising and marketing	**2,729**	3,618	2,497
Amortization of intangibles	**1,991**	1,650	526
Professional fees	**1,473**	2,046	1,782
Federal Home Loan Bank advances prepayment penalty		3,189	
Other	**13,668**	9,377	7,019
Total noninterest expense	**$ 142,978**	$ 125,242	$ 83,646

Noninterest expense increased 14.2% for the year ended December 31, 2011 compared to 2010 primarily as a result of the following:

Salaries and employee benefits expense increased 13.4%, driven by the addition of Habersham and BankMeridian and increases in both incentive and merit pay for employees during 2011. The branch consolidation initiative announced early in 2011 partially offset the impact of the Habersham and BankMeridian acquisitions.

Information services expense increased 15.0%, driven mainly by an incremental increase from the Habersham and BankMeridian acquisitions and an increase in cost related to internet banking and general computer servicing.

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Merger expenses of $3.2 million were incurred related to the Habersham and BankMeridian acquisitions compared to $5.5 million for the CBT acquisition.

Net occupancy expense increased 13.2%, driven by an increase in depreciation expense from the addition of branches in the Habersham and CBT acquisitions and an increase in lease expense primarily due to lease termination fees incurred related to the branch consolidation initiative.

OREO and loan related expenses for the year ended December 31, 2011 was $14.4 million, including $1.6 million related to covered OREO and loans, net of the FDIC indemnification. Excluding expenses on covered OREO and loans, the expense on non-acquired loans was $12.7 million, an increase of $8.6 million, or 209.8%, from the balance at December 31, 2010. The increase was largely driven by an increase in writedowns of OREO properties based on results of appraisals, $1.3 million of which related to former potential branch sites that were moved to OREO during the second quarter of 2011.

Noninterest expense increased 49.7% for the year ended December 31, 2010 compared to 2009 primarily as a result of the following:

Salaries and employee benefits expense increased 49.1%, driven by the addition of CBT and increases in both incentive and merit pay for employees during 2010.

Information services expense increased 64.5%, driven mainly by a $2.6 million incremental increase from CBT and an increase in cost related to internet banking and general computer servicing.

Merger expenses of $5.5 million were incurred related to the CBT acquisition.

In February of 2010, the Company paid off $80.3 million in outstanding FHLB advances. This repayment included a $3.2 million prepayment fee for the early payoff.

Amortization of intangibles increased 213.7%, driven by $1.1 million in amortization on the core deposit intangible recorded on the deposits acquired from CBT.

OREO and loan related expenses for the year ended December 31, 2010 were $5.3 million, including $1.2 million related to covered OREO and loans acquired in the CBT acquisition, net of the FDIC indemnification. Excluding expenses on covered OREO and loans, the expense on non-acquired loans was $4.1 million, a decrease of $1.6 million, or 28.0%, from the balance at December 31, 2009. The decrease was largely driven by a lower net loss on legacy SCBT property sold during the year.

Income Tax Expense

Our effective tax rate decreased to 32.3% at December 31, 2011, compared to 35.8% at December 31, 2010. The lower effective tax rate in 2011 is attributable to tax exempt income on municipal bonds making up a larger percentage of pre-tax net income for the year ended December 31, 2011 as well as lower pre-tax earnings driven by the smaller acquisition gains recorded on the Habersham and BankMeridian acquisitions in comparison with the acquisition gain recorded on the CBT acquisition for the year ended December 31, 2010.

Investment Securities

We use investment securities, the second largest category of interest-earning assets, to generate interest income through the employment of excess funds, to provide liquidity, to fund loan demand or deposit liquidation, and to pledge as collateral for public funds deposits and repurchase agreements. The composition of the investment portfolio changed from 2010 primarily as a result of securities acquired through the BankMeridian acquisition as well as purchases of GSEs and mortgage-backed

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securities, the sale of $52.3 million in mortgage-backed securities (many of which were acquired in the Habersham acquisition), state and municipal bonds, and the remaining pooled trust preferred security, and maturing or called securities that were purchased in higher interest rate environments. The average life of the investment portfolio at December 31, 2011 was approximately 3.48 years, compared with 4.03 years at December 31, 2010. At December 31, 2011, investment securities were $324.1 million, or 9.9% of earning assets, compared with $237.9 million, or 7.8% of earning assets, at December 31, 2010. See Note 1 "Summary of Significant Accounting Policies" in the audited consolidated financial statements for our accounting policy on investment securities.

As securities are purchased, they are designated as held to maturity or available for sale based upon our intent, which incorporates liquidity needs, interest rate expectations, asset/liability management strategies, and capital requirements. We do not currently hold, nor have we ever held, any securities that are designated as trading securities. The following table presents the reported values of investment securities for the past five years as of December 31:

Table 6 Investment Securities for the Five Years

	December 31,				
(Dollars in thousands)	**2011**	**2010**	**2009**	**2008**	**2007**
Held-to-maturity (amortized cost):					
State and municipal obligations	**$ 16,569**	$ 19,941	$ 21,538	$ 24,228	$ 21,457
Total held-to-maturity	**16,569**	19,941	21,538	24,228	21,457
Available-for-sale (fair value):					
Government-sponsored entities debt	**49,603**	70,534	36,615	28,672	71,952
State and municipal obligations	**43,957**	40,004	26,805	10,558	10,233
GSE mortgage-backed securities	**195,309**	84,440	103,268	133,505	118,205
Trust preferred (collateralized debt obligations)		2,034	6,250	10,083	14,246
Corporate stocks	**326**	362	365	402	8,744
Total available-for-sale	**289,195**	197,374	173,303	183,220	223,380
Total other investments	**18,292**	20,597	16,271	14,779	13,472
Total investment securities	**$ 324,056**	$ 237,912	$ 211,112	$ 222,227	$ 258,309

During 2011, total investment securities increased $86.1 million, or 36.2%, from December 31, 2010. The increase was primarily the result of securities acquired through the BankMeridian acquisition as well as purchases of GSEs and mortgage-backed securities, offset by $52.3 million in securities sold and maturing or called securities that were purchased in higher interest rate environments. The decrease in held-to-maturity ("HTM") securities was the result of called and maturing state and municipal tax-exempt securities during 2011. These are generally longer-maturity bonds that we classified at the time of purchase as HTM. Beginning in the latter portion of 2008, we began to typically classify new purchases of municipal securities as available-for-sale to increase future flexibility to sell some of these securities if conditions warrant. At December 31, 2011, the fair value of the total investment securities portfolio (including HTM) was $10.8 million, or 3.43%, above its book value. Comparable valuations at December 31, 2010 reflected a total investment portfolio fair value that was $2.4 million, or 1.00%, higher than book value.

Held-to-maturity

HTM securities consist solely of some of our tax-exempt state and municipal securities. The following are highlights:

Total HTM securities decreased $3.4 million from the balance at December 31, 2010.

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The balance of HTM securities represented 0.4% and 0.6% of total assets at December 31, 2011 and 2010, respectively.

Interest earned amounted to $755,000, a decrease of $56,000, or 6.9%, from $811,000 in 2010. The average balance of the HTM portfolio decreased by $1.5 million during 2011. The overall yield on the HTM portfolio increased by 1 basis point from 2010 and decreased by 9 basis points from 2009 attributable to maturing or called securities that were purchased in higher interest rate environments.

The average life of the held to maturity portfolio was 9.6 years and 10.3 years at December 31, 2011 and 2010, respectively.

Available-for-sale

Securities available for sale consist mainly of debentures of government-sponsored entities, state and municipal bonds, and mortgage-backed securities. At December 31, 2011, investment securities with an amortized cost of $279.7 million and fair value of $289.2 million were classified as available for sale. The positive adjustment of $9.5 million between the carrying value of these securities and their amortized cost has been reflected, net of tax, in the consolidated balance sheet as a component of accumulated other comprehensive loss. The following are highlights of our available-for-sale securities:

Total securities available for sale increased $91.8 million, or 46.5%, from the balance at December 31, 2010, primarily the result of securities acquired through the BankMeridian acquisition as well as purchases of GSEs and mortgage-backed securities, offset by $52.3 million in securities sold and maturing or called securities that were purchased in higher interest rate environments.

The balance of securities available for sale represented 7.4% of total assets at December 31, 2011 and 5.5% at December 31, 2010.

Interest income earned in 2011 amounted to $7.6 million, a decrease of $2.3 million, or 23.5%, from $10.0 million in the comparable year of 2010. The decrease in interest earned reflected the 92 basis point decrease in the yield on available for sale securities, reflecting the ongoing low interest rate environment throughout 2011.

At December 31, 2011, we had seven securities available for sale in an unrealized loss position, which totaled $40,000. During 2011, the credit and capital markets continued to experience turmoil globally. These situations largely reflect an ongoing decrease in liquidity in some sectors of the capital markets and volatility of spreads (over the U.S. Treasury yield curve) that many market segments experienced during the period. In 2010, we recorded $6.6 million in OTTI on seven mezzanine tranche pooled trust preferred securities. In the fourth quarter of 2010, we elected to sell these mezzanine tranche securities at an additional realized loss of $1.3 million. During 2009, we recorded $4.9 million in credit related OTTI on these mezzanine tranche pooled trust preferred securities. See Note 4 Investment Securities for additional information.

Investment securities in an unrealized loss position as of December 31, 2011 continue to perform as scheduled. We have the intent to hold all securities within the portfolio until their maturity or until their value recovers and it is more-likely-than-not that we will be not required to sell the debt securities. Therefore, we do not consider these investments to be other-than-temporarily impaired at December 31, 2011. We continue to monitor all of these securities with a high degree of scrutiny. There can be no assurance that we will not conclude in future periods that conditions existing at that time indicate some or all of these securities are other than temporarily impaired, which would require a charge to earnings in such periods. Any charges for other-than-temporary impairment related to securities available for sale would not impact cash flow, tangible capital or liquidity.

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

Other Investments

Other investment securities include primarily our investments in Federal Reserve Bank stock and Federal Home Loan Bank of Atlanta ("FHLB") stock, each with no readily determinable market value. The amortized cost and fair value of all these securities are equal at year end. As of December 31, 2011, the investment in FHLB stock represented approximately $9.9 million, or 0.2% of total assets. The following factors have been evaluated and considered in determining the carrying amount of the FHLB stock:

- We evaluate ultimate recoverability of the par value.

- We currently have sufficient liquidity or have access to other sources of liquidity to meet all operational needs in the foreseeable future, and would not have the need to dispose of this stock below the recorded amount.

- Historically, the FHLB does not allow for discretionary purchases or sales of its stock. Redemptions of the stock occur at the discretion of the FHLB, subsequent to the maturity of outstanding advances held by the member institutions. We redeemed approximately $3.3 million of our investment during 2011, at par value.

- Given the expectation that the various FHLBs have a high degree of government support, we have determined that the debt ratings are likely to remain unchanged and the FHLB has the ability to absorb economic losses.

- Our holdings of FHLB stock are not intended for the receipt of dividends or stock growth, but for the purpose and right to receive advances, or funding. We deem the FHLB's process of determining after each quarter end whether it will pay a dividend and, if so, the amount, as essentially similar to standard practice by most dividend-paying companies. Based on the FHLB's performance over the past eleven consecutive quarters, starting with the second quarter 2009, the FHLB has announced a dividend payment after each quarter's performance, with the most recent dividend payment of 0.80% on November 3, 2011 related to the third quarter of 2011.

For the reasons above, we have concluded that our holdings of FHLB stock are not other than temporarily impaired as of December 31, 2011 and ultimate recoverability of the par value of this investment is probable.

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Table 7 Maturity Distribution and Yields of Investment Securities

	Due In 1 Year or Less		**Due After 1 Thru 5 Years**		**Due After 5 Thru 10 Years**		**Due After 10 Years**		**Total**			
(Dollars in thousands)	**Amount**	**Yield**	**Amount**	**Yield**	**Amount**	**Yield**	**Amount**	**Yield**	**Amount**	**Yield**	**Par Value**	**Fair Value**
Held-to-maturity												
State and municipal obligations(2)	$ 580	6.32%	$ 661	6.51%	$ 5,480	6.24%	$ 9,848	6.19%	$ 16,569	6.22%	$ 16,569	$ 17,864
Total held-to-maturity	580	6.32%	661	6.51%	5,480	6.24%	9,848	6.19%	16,569	6.22%	16,569	17,864
Available-for-sale												
Government-sponsored entities debt		0.00%	13,495	1.81%	10,005	1.37%	26,103	3.79%	49,604	2.76%	48,285	49,604
State and municipal obligations(2)	645	6.55%	1,210	6.98%	10,248	6.10%	31,854	6.14%	43,957	6.16%	40,695	43,957
Mortgage-backed securities	4	5.57%	108	4.99%	30,497	2.70%	164,700	2.88%	195,309	2.85%	185,851	195,309
Trust preferred (collateralized debt obligations)		0.00%		0.00%		0.00%		0.00%		0.00%		
Corporate stocks(1)		0.00%		0.00%		0.00%	326	3.27%	326	3.27%	326	326
Total available-for-sale	649	6.54%	14,813	2.26%	50,750	3.12%	222,983	3.45%	289,196	3.34%	275,157	289,197
Total other investments(1)		0.00%		0.00%		0.00%	18,292	3.21%	18,292	3.21%	18,292	18,292
Total investment securities	$ 1,229	6.32%	$ 15,474	5.14%	$ 56,230	4.54%	$ 251,123	3.53%	$ 324,057	3.80%	$ 310,018	$ 325,353
Percent of total	0%		5%		17%		77%					
Cumulative percent of total	0%		5%		23%		100%					

(1) Federal Reserve Bank and other corporate stocks have no set maturity date and are classified in "Due after 10 Years."

(2) Yields on tax-exempt income have been presented on a taxable-equivalent basis in the above table.

Loan Portfolio

Our loan portfolio remains our largest category of interest-earning assets. The addition of $222.4 million in acquired loans in the Habersham and BankMeridian acquisitions along with an 11.4% increase in consumer real estate loans and a 28.4% increase in commercial owner occupied real estate loans contributed to overall loan growth for the year ended December 31, 2011. At December 31, 2011, total loans had grown to $2.9 billion, an increase of $255.5 million, or 9.8%, compared to $2.6 billion at the end of 2010. Average loans outstanding during 2011 were $2.8 billion, an increase of $183.1 million, or 7.1%, over the 2010 average of $2.6 billion. (For further discussion of the Company's acquired loan accounting, see Note 1 Summary of Significant Accounting Policies, Note 2 Mergers and Acquisitions and Note 5 Loans and Allowance for Loan Losses to the consolidated financial statements.)

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

Table 8 Distribution of Non-Acquired Loans by Type

	December 31,				
(Dollars in thousands)	**2011**	**2010**	**2009**	**2008**	**2007**
Real estate:					
Commercial non-owner occupied(1)	**610,543**	712,190	770,934	866,430	805,267

Consumer(2)	**656,515**	589,431	533,123	515,546	436,767
Commercial owner occupied real estate	**742,890**	578,587	469,101	423,345	308,864
Commercial and industrial	**220,454**	202,987	214,174	251,929	257,170
Other income producing property	**140,693**	124,431	137,736	141,516	123,659
Consumer	**85,342**	67,768	68,770	95,098	118,756
Other loans	**14,128**	20,806	9,400	22,212	32,564
Total non-acquired loans	**$ 2,470,565**	$ 2,296,200	$ 2,203,238	$ 2,316,076	$ 2,083,047

(1) Includes $310.8 million of construction and land development loans in 2011 vs. $392.0 million in 2010.

(2) Includes owner occupied real estate.

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The following table presents the acquired loans by class:

Table 9 Distribution of Acquired Loans by Type

	December 31,	
(Dollars in thousands)	**2011**	**2010**
Acquired loans:		
Commercial loans greater than or equal to $1 million CBT	**$ 60,829**	$ 84,288
Commercial real estate	**108,328**	66,628
Commercial real estate construction and development	**51,005**	32,312
Residential real estate	**124,422**	87,545
Residential real estate junior lien	**2,841**	3,673
Home equity	**1,386**	1,519
Consumer	**10,019**	10,915
Commercial and industrial	**39,311**	24,742
Single pay	**4,060**	9,416
Total acquired loans	**$ 402,201**	$ 321,038

The Company did not have any acquired loans for the years ended December 31, 2009, 2008, and 2007.

Real estate mortgage loans continue to comprise the largest segment of our loan portfolio. All commercial and residential loans secured by real estate are included in this category. As of December 31, 2011 compared to December 31, 2010:

- Acquired loans were $402.2 million, or 14.0% of total loans at December 31, 2011.
- Non-acquired loans secured by real estate mortgages were $1.3 billion, and comprised 44.1% of the total loan portfolio. This was a decrease of $34.6 million, or 2.7%, over year-end 2010.
- Loans secured by commercial real estate decreased by $101.6 million, or 14.3%.
- Loans secured by consumer real estate grew by $67.1 million, or 11.4%. An adjustable rate mortgage campaign that offered attractive interest rates and began in March of 2011 contributed to the growth in consumer real estate loans.
- Commercial owner occupied real estate loans grew $164.3 million, or 28.4%, from the comparable year of 2010. The balance represented 25.9% of total loans at December 31, 2011. Promotions that began in January of 2011 and continued through September of 2011 offering attractive rates on commercial owner-occupied loans were a driving factor in the increase in commercial real estate loans.

Loan interest income, including fees, was $162.2 million in 2011, an increase of $18.7 million, or 13.0%, over 2010 income of $143.5 million. The increase was the result of an average acquired loan portfolio yield in 2011 of 10.7% which was 509 basis points higher than the 5.6% loan yield in 2010 combined with the 7.1% growth in the average balance of the loan portfolio from the Habersham and BankMeridian acquisitions and organic growth, offset by an average non-acquired loan portfolio yield in 2011 of 5.03% which was 44 basis points lower than the 5.47% loan yield in 2010. Interest and fee income for 2010 was 8.9% above the 2009 income of $131.8 million. The average loan yield in 2010 was 31 basis points lower than the 2009 yield of 5.79%.

The improved yield of the acquired loan portfolio was the result of expected improved cash flows in the first quarter of 2011 on the CBT acquired loan portfolio by more than $36.2 million, which resulted in higher yield throughout the remainder of 2011.

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Non-acquired loans secured by commercial real estate are comprised of $310.8 million in construction and land development loans and $299.7 million in commercial non-owner occupied loans at December 31, 2011. At December 31, 2010, we had $392.0 million in construction and land development loans and $320.2 million in commercial non-owner occupied loans. Construction and land development loans are more susceptible to a risk of loss during the current downturn in the business cycle.

Non-acquired loans secured by consumer real estate comprise of $391.5 million in consumer owner occupied loans and $265.0 million in home equity loans at December 31, 2011. At December 31, 2010, we had $325.5 million in consumer owner occupied loans and $264.0 million in home equity loans.

The table below shows the contractual maturity of the loan portfolio at December 31, 2011.

Table 10 Maturity Distribution of Loans

December 31, 2011 **(Dollars in thousands)**	**Total**	**1 Year** **or Less**	**Maturity** **1 to 5 Years**	**Over** **5 Years**
Real estate:				
Commercial non-owner occupied	$ 610,543	$ 188,652	$ 321,525	$ 100,366
Consumer	656,515	49,475	186,315	420,725
Commercial owner occupied real estate	742,890	79,207	486,425	177,258
Commercial and industrial	220,454	80,381	112,129	27,944
Other income producing property	140,693	38,344	89,640	12,709
Consumer	85,342	8,790	71,187	5,365
Other loans	14,128	2,559	7,288	4,281
Acquired loans	402,201	209,585	137,307	55,309
Total loans	$ 2,872,766	$ 656,993	$ 1,411,816	$ 803,957

At December 31, 2011 and 2010, we had a balance for loans due after one year of $299.2 million and $339.8 million, respectively, with fixed interest rates and $122.7 million and $132.4 million, respectively, with adjustable interest rates in the commercial non-owner occupied real estate loan category. At December 31, 2011 and 2010, we had a balance for loans due after one year of $627.7 million and $432.4 million, respectively, with fixed interest rates and $36.0 million and $41.0 million, respectively, with adjustable interest rates in the commercial owner occupied real estate loan category. At December 31, 2011 and 2010, we had a balance for loans due after one year of $113.8 million and $107.5 million, respectively, with fixed interest rates and $26.2 million and $11.4 million, respectively, with adjustable interest rates in the commercial and industrial loan category.

Nonaccrual Loans

Generally, we place a loan on nonaccrual when the loan becomes 90 days or more past due. Management does place loans which are not 90 days or more past due on nonaccrual based upon management's judgment of collectability of principal and interest.

Troubled Debt Restructurings ("TDRs")

SCBT designates loan modifications as TDRs when, for economic or legal reasons related to the borrower's financial difficulties, it grants a concession to the borrower that it would not otherwise consider (ASC Topic 310.40). Loans on nonaccrual status at the date of modification are initially classified as nonaccrual TDRs. Loans on accruing status at the date of concession are initially classified as accruing TDRs if the note is reasonably assured of repayment and performance is expected in accordance with its modified terms. Such loans may be designated as nonaccrual loans subsequent to the concession date if reasonable doubt exists as to the collection of interest or principal under the restructuring agreement. TDRs are returned to accruing status when there is economic substance to the restructuring, there is documented credit evaluation of the borrower's financial condition, the remaining balance is reasonably assured of repayment in accordance with its modified terms, and the borrower has demonstrated sustained repayment performance in accordance with the modified terms for a reasonable period of time (generally a minimum of six months). At December 31, 2011 and 2010, total TDRs were $17.6 million and $9.7 million, respectively, of which $5.8 million were accruing restructured loans at December 31, 2011, compared to $3.1 million at December 31, 2010. SCBT does not have significant commitments to lend additional funds to these borrowers whose loans have been modified.

The level of risk elements in the loan portfolio, OREO and other nonperforming assets for the past five years is shown below:

Table 11 Nonperforming Assets

	December 31,				
(Dollars in thousands)	**2011**	**2010**	**2009**	**2008**	**2007**
Nonaccrual loans(1)	**$ 64,170**	$ 62,661	$ 47,444	$ 14,624	$ 5,353
Accruing loans past due 90 days or more	**926**	118	241	293	985
Restructured loans	**11,807**	6,365	2,048		
Total nonperforming loans	**76,903**	69,144	49,733	14,917	6,338
Other real estate owned ("OREO")(2)	**18,022**	17,264	3,102	6,126	490
Other nonperforming assets(3)	**24**	50	31	84	82
Total nonperforming assets excluding covered assets	**94,949**	86,458	52,866	21,127	6,910
Covered OREO	**65,849**	69,317			
Other covered nonperforming assets	**251**	19			
Total nonperforming assets	**$ 161,049**	$ 155,794	$ 52,866	$ 21,127	$ 6,910
Excluding covered assets:					
Total nonperforming assets as a percentage of total loans and repossessed assets(4)	**3.82%**	3.74%	2.40%	0.91%	0.33%
Total nonperforming assets as a percentage of total assets	**2.44%**	2.41%	1.96%	0.76%	0.27%
Nonperforming loans as a percentage of period end loans(4)	**3.11%**	3.01%	2.26%	0.64%	0.30%
Including covered assets:					
Total nonperforming assets as a percentage of total loans and repossessed assets(4)	**5.45%**	5.76%	2.40%	0.91%	0.33%
Total nonperforming assets as a percentage of total assets	**4.13%**	4.33%	1.96%	0.76%	0.27%
Nonperforming loans as a percentage of period end loans(4)	**2.68%**	2.64%	2.26%	0.64%	0.30%

(1) Excludes the acquired loans that are contractually past due totaling $97.6 million and $93.6 million as of December 31, 2011 and December 31, 2010, respectively, including the valuation discount. Acquired loans are considered to be performing due to the application of the accretion method under FASB ASC Topic 310-30. (For further discussion of the Company's application of the

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accretion method, see *Business Combinations, Method of Accounting for Loans Acquired, and FDIC Indemnification Asset* under Note 1 Summary of Significant Accounting Policies to the condensed consolidated financial statements.)

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

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

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

Excluding the acquired loans, total nonperforming loans were $76.9 million, or 3.11% of total loans, an increase of $7.8 million, or 11.2%, from December 31, 2010. The increase in nonaccrual loans was driven by an increase in commercial nonaccrual loans of $6.4 million and an increase in consumer nonaccrual loans of $586,000.

Nonperforming non-acquired loans and restructured loans increased by approximately $3.5 million during the fourth quarter of 2011 from the level at September 30, 2011. This was partially the result of four larger loans being placed on nonaccrual in the fourth quarter. The top 10 nonaccrual loans at December 31, 2011 consist of seven loans located along the coast of South Carolina, one in the Orangeburg region, one in the Midlands region, and one located in the Charlotte MSA, and total $21.2 million. These loans comprise 27.8% of total nonaccrual loans at December 31, 2011 and are all real estate collateral dependent. The Company currently holds specific reserves of $460,000 on one of these ten loans. Nine of the loans have appraisals from 2011 and one from 2010. Our non-acquired nonperforming loan balance of $76.9 million at December 31, 2011, is comprised of 51% in the South Carolina coastal markets.

At December 31, 2011, OREO not covered by loss share agreements increased by $758,000 from December 31, 2010. At December 31, 2011, non-covered OREO consisted of 90 properties with an average value of $200,000, a decrease of $47,000 from December 31, 2010, when we had 70 properties. In the fourth quarter of 2011, we added 28 properties with an aggregate value of $2.2 million into non-covered OREO, and we sold 29 properties with a basis of $4.6 million in that same quarter. We recorded a net loss of $398,000 for the quarter. Our non-covered OREO balance of $18.0 million, at December 31, 2011, is comprised of 8% in the Low Country region, 9% in the Georgetown/Myrtle Beach region, 46% in the Beaufort (Hilton Head) region, 11% in the Charlotte region and 5% in the Upstate (Greenville) region.

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

Our general policy is to update valuations annually. OREO valuations include appraisals, broker opinions, previous offers received on the property, and consideration of market conditions and the number of days the property has been on the market. In a market of declining property values, which we have experienced during 2011 and 2010, we may reduce an appraisal by an additional factor due to our knowledge and experience in the market. (See *Other Real Estate Owned ("OREO")* under Critical Accounting Policies and Estimates in Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations for further discussion on the Company's OREO policies.)

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Potential Problem Loans Non-acquired

Potential problem loans, which are not included in nonperforming loans, amounted to approximately $14.4 million, or 0.58% of total loans non-acquired outstanding at December 31, 2011, compared to $19.6 million, or 0.85% of total loans outstanding at December 31, 2010, and $13.5 million or 0.55% of total non-acquired loans outstanding at September 30, 2011. Potential problem loans represent those loans with a well-defined weakness and where information about possible credit problems of borrowers has caused management to have serious doubts about the borrower's ability to comply with present repayment terms.

Allowance for Loan Losses

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 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

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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 2 Mergers and Acquisitions and Note 5 Loans and Allowance for Loan Losses to the consolidated financial statements.)

The following tables provide the allocation for the non-acquired and acquired allowance for loan losses. There was no allowance for acquired loan losses prior to 2011.

Table 12 Allocation of the Non-Acquired Allowance for Loan Losses

	2011		2010		2009		2008		2007	
(Dollars in thousands)	**Amount**	**%***	**Amount**	**%***	**Amount**	**%***	**Amount**	**%***	**Amount**	**%***
Real estate:										
Commercial non-owner occupied	**$ 18,482**	**24.7%**	$ 20,670	31.0%	$ 14,961	35.0%	$ 11,960	37.4%	$ 10,442	38.7%
Consumer owner occupied	**11,722**	**26.6%**	10,484	25.7%	8,386	24.2%	6,909	22.2%	5,527	21.0%
Commercial owner occupied real estate	**10,356**	**30.1%**	7,814	25.2%	5,978	21.3%	4,865	18.3%	3,268	14.8%
Commercial and industrial	**3,901**	**8.9%**	4,313	8.8%	4,330	9.7%	3,936	10.9%	3,587	12.3%
Other income producing property	**3,636**	**5.7%**	2,834	5.4%	2,375	6.3%	1,890	6.1%	1,568	5.9%
Consumer	**1,145**	**3.5%**	1,191	3.0%	1,258	3.1%	1,511	4.1%	1,594	5.7%
Other loans	**125**	**0.6%**	206	0.9%	200	0.4%	454	1.0%	584	1.6%
Total	**$ 49,367**	**100.0%**	$ 47,512	100.0%	$ 37,488	100.0%	$ 31,525	100.0%	$ 26,570	100.0%

* Loan balance in each category, expressed as a percentage of total non-acquired loans

Table 13 Allocation of the Acquired Allowance for Loan Losses

	2011	
(Dollars in thousands)	**Amount**	**%***
Commercial loans greater than or equal to $1 million CBT	**$ 16,706**	**15.1%**
Commercial real estate	**1,318**	**26.9%**
Commercial real estate construction and development		**12.7%**
Residential real estate	**5,026**	**30.9%**
Residential real estate junior lien	**445**	**0.7%**
Home equity		**0.3%**
Consumer		**2.5%**
Commercial and industrial	**4,564**	**9.8%**
Single pay	**3,561**	**1.0%**
Total	**$ 31,620**	**100.0%**

* Loan balance in each category, expressed as a percentage of total acquired loans

The OCC recommends that banks take a broad view of certain factors in evaluating their allowance for loan losses. These factors include loan loss experience, specific allocations and other subjective factors. In our ongoing consideration of such factors, we consider our allowance for loan

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losses to be adequate. The following table presents changes in the allowance for loan losses on non-acquired loans for the five years at December 31:

Table 14 Summary of Non-acquired Loan Loss Experience

	Years Ended December 31,				
(Dollars in thousands)	**2011**	**2010**	**2009**	**2008**	**2007**
Allowance for loan losses at January 1	**$ 47,512**	$ 37,488	$ 31,525	$ 26,570	$ 22,668
Charge-offs:					
Real estate:					
Commercial non-owner occupied	**(15,653)**	(22,161)	(12,736)	(1,532)	(446)
Consumer	**(5,524)**	(9,775)	(3,340)	(1,263)	(374)
Commercial owner occupied real estate	**(2,346)**	(2,625)	(571)	(61)	
Commercial and industrial	**(1,872)**	(9,138)	(2,528)	(1,449)	(682)
Other income producing property	**(2,366)**	(338)	(867)	(185)	(84)
Consumer*	**(1,337)**	(2,780)	(2,005)	(2,263)	(1,738)
Other loans	**(111)**		(3)	(1)	(1)
Total charge-offs	**(29,209)**	(46,817)	(22,050)	(6,754)	(3,325)
Recoveries:					
Real estate:					
Commercial non-owner occupied	**662**	814	381	103	99
Consumer	**356**	194	38	94	28
Commercial owner occupied real estate	**158**	126	4	11	
Commercial and industrial	**295**	713	192	140	254
Other income producing property	**293**	6	3	4	22
Consumer*	**645**	706	681	620	605
Other loans			2	1	
Total recoveries	**2,409**	2,559	1,301	973	1,008
Net charge-offs	**(26,800)**	(44,258)	(20,749)	(5,781)	(2,317)
Provision for loan losses	**28,655**	54,282	26,712	10,736	4,384
Allowance from acquisition					1,835
Allowance for loan losses at December 31	**$ 49,367**	$ 47,512	$ 37,488	$ 31,525	$ 26,570
Average loans, net of unearned income**	**$ 2,777,499**	$ 2,594,742	$ 2,248,568	$ 2,220,448	$ 1,823,196
Ratio of net charge-offs to average loans, net of unearned income*	**1.12%**	1.99%	0.92%	0.26%	0.13%
Allowance for loan losses as a percentage of total non-acquired loans	**2.00%**	2.07%	1.70%	1.36%	1.28%

* Net charge-offs at December 31, 2011, 2010, 2009, 2008, and 2007 include automated overdraft protection ("AOP") principal net charge-offs of $515,000, $610,000, $572,000, $559,000, and $760,000, respectively, that are included in the consumer classification above.

** Average loans, net of unearned income does not include loans held for sale.

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The lower non-acquired provision in 2011 reflects lower net charge-offs than in 2010. The following provides highlights for the years ended December 31, 2011 and 2010:

Total net charge-offs decreased $17.5 million, or 39.4% for the year ended December 31, 2011 compared to a $23.5 million, or 113.3%, increase for the comparable year in 2010. The decrease in net charge-offs between December 31, 2011 and December 31, 2010 was in all loan types, except other income producing property and other loans. Commercial non-owner occupied was down $6.4 million; consumer real estate down $4.4 million; commercial and industrial down $6.8 million; and consumer loans down $1.4 million.

Although management currently expects the level of net charge-offs to continue to moderate during 2012 as compared to 2011, the pressures within the real estate market and the economy as a whole remain. Over the past three years, the dollar amount of charge-offs has increased substantially, while the loan portfolio has increased only moderately. The ratio of charge-offs to average loans decreased to 1.12% at the end of 2011 compared to 1.99% at the end of 2010.

The provision for loan losses as a percent of average loans decreased due to the decrease in our levels of past due and classified assets and a decrease in net charge-offs during 2011 compared to 2010. Net charge-offs decreased substantially in all categories during 2011 compared to 2010, except in other income producing property and other loans. Of the total net charge-offs during 2011, 56%, or $15.0 million, were in commercial non-owner occupied real estate lending which includes construction and land development loans, 19%, or $5.2 million, were in consumer real estate loans which include home equity loans, 6%, or $1.6 million, were in commercial and industrial loans, 8%, or $2.2 million, were in commercial owner occupied real estate, and 8%, or $2.1 million, were in other income producing property. This compares to 2010 when the amount of net charge offs in all categories were higher than 2011, except for the other income producing property where net charge-offs increased by approximately $1.7 million and other loans where charge-offs increased by approximately $111,000. We continue to aggressively charge off loans resulting from the decline in the appraised value of the underlying collateral (real estate) and the overall concern that borrowers will be unable to meet the contractual payments of principal and interest. Additionally, there continues to be concern about the economy as a whole and the market conditions throughout the Southeast during 2012. Excluding covered assets, nonperforming loans increased by $3.5 million during the fourth quarter compared to the third quarter of 2011. The ratio of the ALLL to cover these loans decreased from 69% at December 31, 2010 to 64% at December 31, 2011.

We increased the ALLL for the fourth quarter of 2011 compared to the fourth quarter of 2010 due to the increase in risk within the overall loan portfolio. On a general basis, we consider three-year historical loss rates on all loan portfolios, except residential lot loans where two-year historical loss rates are applied. We also consider economic risk, model risk and operational risk when determining the ALLL. All of these factors are reviewed and adjusted each reporting period to account for management's assessment of loss within the loan portfolio.

The historical loss rates on an overall basis increased from December 31, 2010 due to the removal of much lower historical loss rates in our rolling averages. This resulted in an increase of 28 basis points in the ALLL. Compared to the third quarter of 2011, the increase was 5 basis points.

Economic risk decreased by 4 basis points during 2011 as compared to 2010 due to a decrease in unemployment and a decrease in foreclosures. Compared to the third quarter of 2011, we noted no significant economic trends that necessitated a change in our economic risk factors.

Model risk declined 3 basis points compared to December 31, 2010, and was the same as the third quarter of 2011. This risk comes from the fact that our ALLL model is not all-inclusive. Risk inherent with new products, new markets, and timeliness of information are examples of this type of exposure. Management has reduced this factor since our model has been used for approximately three years, and we believe more adequately addresses this inherent risk in our loan portfolio.

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Operational risk consists of the underwriting, documentation, closing and servicing associated with any loan. This risk is managed through policies and procedures, portfolio management reports, best practices and the approval process. The risk factors evaluated include the following: exposure outside our deposit footprint, changes in underwriting standards, levels of past due loans, loan growth, supervisory loan to value exceptions, results of external loan reviews, our centralized loan documentation process and significant loan concentrations. We believe that the overall operational risk has declined by 13 basis points during 2011 compared to December 31, 2010, due primarily to a decrease in classified loans, decrease in the overall level of past due loans, reduced exposure outside of the depository footprint, lower exposure to certain loan concentrations and supervisory loan to value exceptions given the increase in capital in 2011.

On a specific reserve basis, the allowance for loan losses at December 31, 2011 increased by approximately $276,000 from December 31, 2010. The loan balances being evaluated for specific reserves during the year grew from $50.6 million to $62.1 million at December 31, 2011. Our practice, generally, is that once a specific reserve is established for a loan, a charge off of that amount occurs in the quarter subsequent to the establishment of the specific reserve.

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The following table presents changes in the allowance for loan losses on acquired loans for the year ended December 31, 2011. Prior to 2011, there wasn't an allowance for loan losses on acquired loans.

Table 15 Summary of Acquired Loan Loss Experience

(Dollars in thousands)		
Allowance for loan losses at January 1, 2011	$	
Charge-offs		
Recoveries		
Provision for loan losses before benefit attributable to FDIC loss share agreements:		
Commercial loans greater than or equal to $1 million CBT		**16,706**
Commercial real estate		**1,318**
Commercial real estate construction and development		
Residential real estate		**5,026**
Residential real estate junior lien		**445**
Home equity		
Consumer		
Commercial and industrial		**4,564**
Single pay		**3,561**
Total provision for loan losses before benefit attributable to FDIC loss share agreements		**31,620**
Benefit attributable to FDIC loss share agreements:		
Commercial loans greater than or equal to $1 million CBT		**(15,871)**
Commercial real estate		**(1,252)**
Commercial real estate construction and development		
Residential real estate		**(4,775)**
Residential real estate junior lien		**(423)**
Home equity		
Consumer		
Commercial and industrial		**(4,336)**
Single pay		**(3,383)**
Total benefit attributable to FDIC loss share agreements		**(30,039)**
Total provision for loan losses charged to operations		**1,581**
Provision for loan losses recorded through the FDIC loss share receivable		**30,039**
Allowance for loan losses at December 31, 2011	**$**	**31,620**

During 2011, the expected losses of the acquired loan portfolio related to the CBT acquisition increased for certain loan pools. The result to SCBT was to record impairment, in the form of a provision for loan losses on acquired loans totaling $31.6 million. This increase in the provision was offset by an increase in the FDIC indemnification asset of 95%, or $30.0 million. The net impact to SCBT for this impairment was $1.6 million through the provision for loan losses.

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Loss Share

The following table presents the projected total losses compared to the original estimated losses on acquired assets covered under loss share agreements as of December 31, 2011:

Table 16 Projected Total Losses under FDIC Loss Share Agreements

(Dollars in thousands)	FDIC Threshold or ILE	Original Estimated Losses	Losses Incurred* through 12/31/2011	Remaining Estimated Losses for Loans	OREO Mark** 12/31/2011	Projected Total Losses
CBT	$ 233,000	$ 340,039	$ 221,531	$ 113,542	$ 24,523	$ 359,596
Habersham	94,000	124,363	64,927	57,951	8,939	131,817
BankMeridian	70,827	70,190	8,794	60,415	8,311	77,520
Total	$ 397,827	$ 534,592	$ 295,252	$ 231,908	$ 41,773	$ 568,933

* Loans and OREO losses excluding expenses, net of revenues.

** Represents the estimated losses on OREO at period end. These losses have been recognized to record OREO at net realizable value. These losses are claimable from the FDIC upon sale or receipt of a valid appraisal.

Once the losses and reimbursable expenses claimed under the CBT loss share agreement exceed the $233.0 million threshold, the reimbursement rate will increase to ninety-five percent of the loss and reimbursable expenses paid from eighty percent. Under the Habersham and BankMeridian loss share agreements, all losses (whether or not they exceed the intrinsic loss estimate ("ILE")) are reimbursable by the FDIC at eighty percent of the losses and reimbursable expenses paid. Beginning January 1, 2012, all loss share claims related to the CBT covered assets are reimbursable at 95%. Losses plus reimbursable expenses exceeded $233.0 million with the filing of the non-single family certificate dated December 31, 2011.

Liquidity

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

Asset liquidity is maintained by the maturity structure of loans, investment securities and other short-term investments. Management has policies and procedures governing the length of time to maturity on loans and investments. As reported in Table 7, less than one percent of the investment portfolio contractually matures in one year or less. This segment of the portfolio consists mostly of municipal obligations. There is also an additional amount of securities that could be called or prepaid; as well as expected monthly paydowns of mortgage-backed securities. Normally, changes in the earning asset mix are of a longer-term nature and are not utilized for day-to-day corporate liquidity needs.

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

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

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Pricing deposits, including certificates of deposit, at rate levels that will sustain balances at levels that will enhance our bank's asset/liability management and net interest margin requirements, and

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

On February 18, 2011, we acquired Habersham Bank in an FDIC-assisted deal which provided approximately $91.3 million in cash and cash equivalents. Deposits in the amount of $340.6 million were also assumed. Of this amount, $76.2 million were in the form of highly liquid transaction accounts. Certificates of deposit and interest-bearing deposits comprised $264.4 million of total deposits, or 77.6%. In accordance with the P&A Agreement and the desire to lower our cost of funds, we decided to lower rates on all time deposits for depositors who had no other relationship with us other than their time deposit products. As anticipated, we experienced approximately $148.5 million in run-off of time deposit account balances between the acquisition date and December 31, 2011. Our liquidity position could continue to be affected by potential run-off of deposits in these northeast Georgia markets.

On July 29, 2011, we acquired BankMeridian in an FDIC-assisted deal which provided approximately $45.4 million in cash and cash equivalents. Deposits in the amount of $200.6 million were also assumed. Of this amount, $12.4 million were in the form of highly liquid transaction accounts. Certificates of deposit and interest-bearing deposits comprised $188.2 million of total deposits, or 93.8%. In accordance with the P&A Agreement and the desire to lower our cost of funds, we decided to lower rates on all time deposits for depositors who had no other relationship with us other than their time deposit products. As anticipated, we experienced approximately $129.7 million in run-off of time deposit account balances between the acquisition date and December 31, 2011. Our liquidity position could continue to be affected by potential run-off of the BankMeridian deposits.

The FDIC-assisted acquisitions of Habersham and BankMeridian had a significant impact upon our liquidity position, initially increasing our excess liquidity. These excess liquidity balances were managed downward through the anticipated run-off of higher costing time deposit balances and the repayment of FHLB advances following each transaction.

Total cash and cash equivalents was $171.4 million at December 31, 2011 as compared to $237.1 million at December 31, 2010.

At December 31, 2011 and 2010, we had no brokered deposits. Total deposits increased 8.3% to $3.3 billion resulting mainly from the Habersham and BankMeridian acquisitions; excluding Habersham and BankMeridian, total deposits decreased $12.8 million, or 0.4%. Excluding Habersham and BankMeridian, we increased our noninterest-bearing deposit balance by $134.8 million, or 27.7%, at December 31, 2011 as compared to the balance at December 31, 2010. Federal funds purchased and securities sold under agreements to repurchase decreased $113.4 million, or 74.0%, from the balance at December 30, 2010. Other borrowings remained at approximately $47.0 million, decreasing by $295,000, or 0.6%, from December 31, 2010. During the first and third quarters of 2011, we repaid the FHLB $38.3 million and $20.8 million for the FHLB advances acquired in the FDIC-assisted acquisitions of Habersham and BankMeridian, respectively. To the extent that we employ other types of non-deposit funding sources, typically to accommodate retail and correspondent customers, we continue to emphasize shorter maturities of such funds. Our approach may provide an opportunity to sustain a low funding rate or possibly lower our cost of funds but could also increase our cost of funds if interest rates rise.

Our ongoing philosophy is to remain in a liquid position as reflected by such indicators as the composition of our earning assets, typically including some level of federal funds sold, balances at the Federal Reserve Bank, reverse repurchase agreements, and/or other short-term investments; asset quality; well-capitalized position; and profitable operating results. Cyclical and other economic trends and conditions can disrupt our bank's desired liquidity position at any time. We expect that these conditions would generally be of a short-term nature. Under such circumstances, our bank's federal funds sold position, or balances at the Federal Reserve Bank, if any, serves as the primary source of immediate liquidity. At December 31, 2011, our bank had total federal funds credit lines of $221.0 million with no outstanding advances. If additional liquidity were needed, the bank would turn to short-term borrowings as an alternative immediate funding source and would consider other appropriate actions such as promotions to increase core deposits or the sale of a portion of our investment portfolio. At December 31, 2011, our bank had $79.6 million of credit available at the Federal Reserve Bank's discount window, but had no outstanding advances as of the end of 2011. In addition, we could draw on additional alternative immediate funding sources from lines of credit extended to us from our correspondent banks and/or the Federal Home Loan Bank. At December 31, 2011, our bank had a total FHLB credit facility of $274.1 million with no outstanding advances and outstanding uses of FHLB letters of credit to secure certain public funds deposits of $43.8 million. We believe that our liquidity position continues to be adequate and readily available.

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

Derivatives and Securities Held for Trading

The SEC has adopted rules that require comprehensive disclosure of accounting policies for derivatives as well as enhanced quantitative and qualitative disclosures of market risk for derivatives and other financial instruments. The market risk disclosures are classified into two categories: financial instruments entered into for trading purposes and all other instruments (non-trading purposes). We do not maintain a derivatives or securities trading portfolio.

Asset-Liability Management and Market Risk Sensitivity

Our earnings and the economic value of our shareholders' equity may vary in relation to changes in interest rates and in relation to the accompanying fluctuations in market prices of certain of our financial instruments. We use a number of methods to measure interest rate risk, including simulating the effect on earnings of fluctuations in interest rates, monitoring the present value of asset and liability portfolios under various interest rate scenarios, and, to a lesser extent, monitoring the difference, or gap, between rate sensitive assets and liabilities. The earnings simulation models take into account our contractual agreements with regard to investments, loans, deposits, borrowings, and derivatives. While the simulation models are subject to the accuracy of the assumptions that underlie the process, we believe that such modeling provides a better illustration of the interest sensitivity of earnings than does a static interest rate sensitivity gap analysis. The simulation models assist in measuring and achieving growth in net interest income by providing the Asset- Liability Management Committee ("ALCO") a reasonable basis for quantifying and managing interest rate risk. Various simulations incorporate interest rate changes as well as projected changes in the mix and volume of balance sheet assets and liabilities. Accordingly, the simulations are considered to provide a measurement of the degree of earnings risk we have, or may incur in future periods, arising from interest rate changes or other market risk factors.

During 2009, we entered into a forward starting interest rate swap agreement to manage interest rate risk due to periodic rate resets in our junior subordinated debt issued by SCBT Capital Trust II, an unconsolidated subsidiary of SCBT established for the purpose of issuing trust preferred securities. The agreement hedges the subordinated debt against future interest rate increases by using an interest rate swap to effectively fix the rate to 5.85% on the debt beginning June 15, 2010, at which time the debt contractually converted from a fixed interest rate to a variable interest rate. This hedge expires on June 15, 2019.

Our primary policy, established by ALCO and the board of directors, is to monitor exposure to interest rate increases and decreases of as much as 200 basis points ratably over a 12-month period. Our policy guideline prescribes 8% as the maximum negative impact on net interest income associated with a steady ("ramping") change in interest rates of 200 basis points over 12 months. This most-relied-upon simulation also uses a dynamic (or strategy) balance sheet that forecasts growth, not a static or frozen balance sheet. We traditionally have maintained a risk position well within the policy guideline level. As of December 31, 2011, the earnings simulations indicated that the impact of a 200 basis point increase in rates over 12 months would result in an approximate 0.7% increase in net interest income as compared with a base case interest rate environment that uses the implied forward rates in the currently existing yield curve. Certain key rates in the simulations model (such as federal funds at zero to 0.25%) are at unprecedented low levels that can decline very little, if at all, and remain a positive number. Consequently, the simulations in the declining-rate scenarios are viewed by us and many other depository institutions as being remote and not meaningful. Therefore, declining rate scenario simulations are not currently being used in our assessment and management of interest rate risk. The simulations indicate that our rate sensitivity is currently slightly asset sensitive to the indicated change in interest rates over a one-year horizon. As of December 31, 2010, the earnings simulations indicated that the impact of a 200 basis point increase in rates over 12 months would result in an approximate 1.6% increase in net interest income as compared with a base case interest rate environment.

The shape and non-parallel shifts of the fixed-income yield curve can also influence interest rate risk sensitivity. Therefore, we run a number of other rate scenario simulations to provide additional assessments of our interest rate risk posture. For example, in our analysis at December 31, 2011, a curve that flattens with short rates rising by 200 basis points while 10 year and longer rates decrease by 20 basis points would cause net interest income to increase slightly from a base case. This is attributable to our position in liquid assets rising quickly in yield. Conversely, a curve that steepened, caused by short rates falling by 200 basis points (but not below 0%) and long rates rising by 20 basis points, would have a moderately dampening effect on net interest income as liquid earning assets lose yield while deposit rates only modestly decline and longer-term loan yields decrease.

In addition to simulation analysis, we use Economic Value of Equity ("EVE") analysis as an indicator of the extent to which the present value of our capital could change, given potential changes in interest rates. This measure assumes no growth in the balance sheet (no management influence) but does assume mortgage-related prepayments and certain other cash flows. It provides a measure of rate risk extending beyond the analysis horizon contained in the simulation analyses. The EVE model is essentially a discounted cash flow value of all of SCBT's assets, liabilities, and derivatives. The difference represented by the present value of assets minus the present value of liabilities is defined as the economic value of equity. At December 31, 2011, SCBT's ratio of EVE-to-assets was 11.09% in a current forward rate curve and 10.43% in a hypothetical environment where rates increased from there by 200 basis points instantaneously.

Deposits

We rely on deposits by our customers as the primary source of funds for the continued growth of our loan and investment securities portfolios. Customer deposits are categorized as either noninterest-bearing deposits or interest- bearing deposits. Noninterest-bearing deposits (or demand deposits) are

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transaction accounts that provide SCBT with "interest-free" sources of funds. Interest-bearing deposits include savings deposit, interest-bearing transaction accounts, certificates of deposits, and other time deposits. Interest-bearing transaction accounts include NOW, HSA, IOLTA, and Market Rate checking accounts.

During 2009, we implemented a deposit campaign to focus on increasing core deposits (excluding certificates of deposits and other time deposits). The deposit campaign led to increases in demand deposits, savings deposits and interest-bearing deposits. Those increased core deposit balances helped offset a planned decline in certificate of deposit balances, which are higher cost funds to the bank.

The following table presents total deposits for the five years at December 31:

Table 17 Total Deposits

	December 31,				
(Dollars in thousands)	**2011**	**2010**	**2009**	**2008**	**2007**
Demand deposits	**$ 658,454**	$ 484,838	$ 346,248	$ 303,689	$ 315,791
Savings deposits	**258,644**	202,054	163,348	141,379	137,129
Interest-bearing demand deposits	**1,432,806**	1,186,260	731,060	575,991	588,289
Total savings and interest-bearing demand deposits	**1,691,450**	1,388,314	894,408	717,370	725,418
Certificates of deposit	**903,874**	1,129,892	863,507	1,131,828	886,330
Other time deposits	**694**	1,104	476	387	350
Total time deposits	**904,568**	1,130,996	863,983	1,132,215	886,680
Total deposits	**$ 3,254,472**	$ 3,004,148	$ 2,104,639	$ 2,153,274	$ 1,927,889

The acquisitions of Habersham and BankMeridian as well as organic growth in all categories of deposits excluding time deposits drove the higher balance in total deposits at December 31, 2011 compared to 2010. The following are key highlights regarding overall growth in total deposits:

- Total deposits increased $250.3 million, or 8.3%, for the year ended December 31, 2011, driven largely by the FDIC-assisted acquisitions of Habersham and BankMeridian. For the year ended December 31, 2010, total deposits increased $899.5 million, or 42.7% from the year ended December 31, 2009, driven largely by the FDIC-assisted acquisition of CBT.

- Noninterest-bearing deposits (demand deposits) increased by $173.6 million, or 35.8%, for the year ended December 31, 2011.

- Total savings and interest-bearing account balances increased $303.1 million for the year ended December 31, 2011. Savings deposits increased $56.6 million, or 28.0%, money market (Market Rate Checking) deposits increased $125.9 million, or 17.2%, and other interest-bearing deposits (NOW, IOLTA, and other) increased $120.7 million, or 26.6%.

- Interest-bearing demand deposits increased by $246.5 million, or 20.8%, for the year ended December 31, 2011.

- Excluding the Habersham and BankMeridian acquisitions, total deposits decreased $12.8 million including the following: certificates of deposits less than or equal to $100,000 by $148.4 million, or 24.5% and certificates of deposit greater than $100,000 by $178.7 million, or 34.2%. Off-setting these decreases, money market deposits increased by $86.8 million, or 11.9%, demand deposits increased by $134.5 million, or 27.7%, other interest-bearing deposits increased by $71.3 million, or 15.7%, and savings deposits increased by $22.2 million, or 11.0%.

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At December 31, 2011, the ratio of savings, interest-bearing, and time deposits to total deposits was 79.8%, down slightly from 83.9% at the end of 2010.

The following are key highlights regarding overall growth in average total deposits:

Total deposits averaged $3.3 billion in 2011, an increase of 8.1% from 2010. This increase is attributable to the FDIC-assisted acquisitions of Habersham and BankMeridian as well as organic growth. Total deposits averaged $3.0 billion in 2010, an increase of 37.6% from 2009. This increase was attributable to the FDIC-assisted acquisition of CBT.

Average interest-bearing transaction account deposits grew by $65.3 million, or 2.6%, in 2011 compared to 2010.

Average noninterest-bearing demand deposits increased by $181.5 million, or 36.7%, in 2011 compared to 2010.

The following table provides a maturity distribution of certificates of deposit of $100,000 or more for the next twelve months as of December 31:

Table 18 Maturity Distribution of Certificates of Deposits of $100 Thousand or More

	December 31,		
(Dollars in thousands)	**2011**	**2010**	**% Change**
Within three months	**$ 116,833**	$ 167,970	(30.4)%
After three through six months	**90,379**	120,188	(24.8)%
After six through twelve months	**128,590**	198,334	(35.2)%
After twelve months	**56,894**	44,266	28.5%
	$ 392,696	$ 530,758	(26.0)%

In July 2010, the Dodd-Frank Act permanently increased the insurance limit on deposit accounts from $100,000 to $250,000. At December 31, 2011 and 2010, respectively, SCBT had $124.2 million and $177.5 million in certificates of deposits greater than $250,000.

Short-Term Borrowed Funds

Our short-term borrowed funds consist of federal funds purchased and securities sold under repurchase agreements. Note 11, "Federal Funds Purchased and Securities Sold Under Agreements to Repurchase," in our audited financial statements provides a profile of these funds for the last three years at each year-end, the average amounts outstanding during each period, the maximum amounts outstanding at any month-end, and the weighted average interest rates on year-end and average balances in each category. Federal funds purchased and securities sold under agreements to repurchase most typically have maturities within one to three days from the transaction date. Certain of these borrowings have no defined maturity date.

Capital and Dividends

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

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Our ongoing capital requirements have been met primarily through retained earnings, less the payment of cash dividends. As of December 31, 2011, shareholders' equity was $381.8 million, an increase of $51.8 million, or 15.7%, from $330.0 million at December 31, 2010. Our equity-to-assets ratio decreased to 9.80% at December 31, 2011 from 9.18% at the end of the comparable period of 2010.

The Federal Reserve Board in March of 2005 announced changes to its capital adequacy rules, including the capital treatment of trust preferred securities. The Federal Reserve's rule, which took effect in early April 2005, permit bank holding companies to treat outstanding trust preferred securities as Tier 1 Capital for the first 25 years of the 30 year term of the related junior subordinated debt securities. We issued $40.0 million of these types of junior non-consolidated securities during 2005, positively impacting Tier I Capital. In November of 2007, we acquired the Scottish Bank and an additional $3.0 million of non-consolidated junior subordinated debt securities. We did not issue trust preferred securities during the years ended December 31, 2011, 2010 and 2009. (See Note 1 "Summary of Significant Accounting Policies" in the audited consolidated financial statements for a more detailed explanation of our trust preferred securities.)

Provisions within the Dodd-Frank Act will prohibit institutions that had more than $15 billion in assets on December 31, 2009 from being able to include 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 SCBT, may continue to include their TRUPs issued prior to May 19, 2010 in Tier 1 capital, but cannot include in Tier 1 capital any TRUPs issued after such date.

We are subject to certain risk-based capital guidelines that measure the relationship of capital to both balance sheet and off-balance sheet risks. Risk values are adjusted to reflect credit risk. Pursuant to guidelines of the Federal Reserve Board, which are substantially similar to those promulgated by the OCC, Tier 1 capital must be at least 50% of total capital and total capital must be 8% of risk-weighted assets.

As an additional measure of capital soundness, the regulatory agencies have prescribed a leverage ratio of total capital to total assets. The minimum leverage ratio assigned to banks is between 3% and 5% and is dependent on the institution's composite rating as determined by its regulators.

Table 19 Capital Adequacy Ratios

	December 31,		
(In percent)	**2011**	**2010**	**2009**
Tier 1 risk-based capital	**14.09**	13.34	12.47
Total risk-based capital	**15.36**	14.60	14.42
Tier 1 leverage	**9.12**	8.48	9.89

Compared to December 31, 2010 our Tier 1 risk-based capital ratio, total risk-based capital ratio and Tier 1 leverage ratio have increased due primarily to the impact of the proceeds from the Private Placement and the gains related to the FDIC-assisted acquisitions of Habersham and BankMeridian. Our capital ratios are currently in excess of the minimum standards and furthermore continue to be in the "well capitalized" regulatory classifications.

We pay cash dividends to shareholders from funds provided mainly by dividends received from our bank subsidiary. Dividends paid by our bank are subject to certain regulatory restrictions. We must gain approval of the OCC in order to pay dividends in excess of our bank's net earnings for the current year, plus retained net profits for the preceding two years, less any required transfers to surplus. As of December 31, 2011, approximately $66.6 million of the bank's retained earnings was available for distribution to SCBT as dividends without prior regulatory approval.

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In December 2010, the Basel Committee released its final framework for strengthening international capital and liquidity regulation, now officially identified by the Basel Committee as "Basel III". Basel III, if implemented by the U.S. banking agencies and fully phased-in, would require certain bank holding companies and their bank subsidiaries to maintain substantially more capital, with a greater emphasis on common equity. Although Basel III is intended to be implemented by participating countries for large, internationally active banks, its provisions are likely to be considered by U.S. banking regulators in developing new regulations applicable to other banks in the United States, including those developed pursuant to directives in the Dodd-Frank Act. The U.S. banking agencies have indicated informally that they expect to adopt implementing regulations in 2012. Notwithstanding its release of the Basel III framework as a final framework, the Basel Committee is considering further amendments to Basel III, including the imposition of additional capital surcharges on globally systemically important financial institutions. In addition to Basel III, the Dodd-Frank Act requires or permits the federal banking agencies to adopt regulations affecting banking institutions' capital requirements in a number of respects, including potentially more stringent capital requirements for systemically important financial institutions. Requirements to maintain higher levels of capital or to maintain higher levels of liquid assets could adversely impact our net income and return on equity.

The following table provides the amount of dividends and payout ratios for the years ended December 31:

Table 20 Dividends Paid to Shareholders

	Years Ended December 31,		
(Dollars in thousands)	**2011**	**2010**	**2009**
Shareholder dividend payments	**$ 9,514**	$ 8,680	$ 8,177
Dividend payout ratios	**51.92%**	16.43%	74.66%

We retain earnings to have capital sufficient to grow our loan and investment portfolios and to support certain acquisitions or other business expansion opportunities. We pay cash dividends on common shares out of earnings generated by SCBT in the preceding quarter; therefore, our dividend payout ratio is calculated by dividing total dividends paid during 2011 by the total net income available to common shareholders reported in the fourth quarter of 2010, first quarter of 2011, second quarter of 2011 and third quarter of 2011.

In February 2004, SCBT's board of directors authorized a program with no formal expiration date to repurchase up to 250,000 of its common shares. We did not repurchase any shares under this program during 2011, 2010 and 2009. During 2011, 2010 and 2009, we redeemed 11,445, 7,272 and 15,823, respectively, of SCBT shares from officers at an average cost of $29.82, $35.04 and $28.24, respectively, under an approved program designed to facilitate stock option exercises or tax payments on vesting restricted stock under SCBT's stock incentive plans.

Asset Credit Risk and Concentrations

The quality of our interest-earning assets is maintained through our management of certain concentrations of credit risk. We review each individual earning asset including investment securities and loans for credit risk. To facilitate this review, we have established credit and investment policies that include credit limits, documentation, periodic examination, and follow-up. In addition, we examine these portfolios for exposure to concentration in any one industry, government agency, or geographic location.

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Loan and Deposit Concentration

We have no material concentration of deposits from any single customer or group of customers. We have no significant portion of our loans concentrated within a single industry or group of related industries. Furthermore, we attempt to avoid making loans that, in an aggregate amount, exceed 10% of total loans to a multiple number of borrowers engaged in similar business activities. At December 31, 2011 and 2010, there were no aggregated loan concentrations of this type. We do not believe there are any material seasonal factors that would have a material adverse effect on us. We do not have foreign loans or deposits.

Concentration of Credit Risk

Each category of earning assets has a certain degree of credit risk. We use various techniques to measure credit risk. Credit risk in the investment portfolio can be measured through bond ratings published by independent agencies. In the investment securities portfolio, the investments consist of U.S. government-sponsored entity securities, tax-free securities, or other securities having ratings of "AAA" to "Not Rated". All securities, with the exception of those that are not rated, were rated by at least one of the nationally recognized statistical rating organizations. The credit risk of the loan portfolio can be measured by historical experience. We maintain our loan portfolio in accordance with credit policies that we have established. Although the subsidiary has diversified loan portfolios, a subtantial portion of their borrowers' abilities to honor their contracts is dependent upon economic conditions within South Carolina, North Carolina, Georgia and the surrounding regions. Of the total balance of non-acquired loans at December 31, 2011, loans in the South Carolina coastal markets make up 28% of the total.

We consider concentrations of credit to exist when, pursuant to regulatory guidelines, the amounts loaned to a multiple number of borrowers engaged in similar business activities which would cause them to be similarly impacted by general economic conditions represents 25 percent of total risk-based capital. Based on this criteria, we had six such credit concentrations at December 31, 2011, including loans to borrowers engaged in other activities related to real estate, loans to religious organizations, loans to lessors of nonresidential buildings (except mini-warehouses), loans to lessors of residential buildings, loans to other holding companies (except bank holding companies), and loans to physicians (except mental health specialists). The risk for these loans and for all loans is managed collectively through the use of credit underwriting practices developed and updated over time. The loss estimate for these loans is determined using our standard ALLL methodology.

Off-Balance Sheet Arrangements

Through the operations of our bank, we have made contractual commitments to extend credit in the ordinary course of our business activities. These commitments are legally binding agreements to lend money to our customers at predetermined interest rates for a specified period of time. We evaluate each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by us upon extension of credit, is based on our credit evaluation of the borrower. Collateral varies but may include accounts receivable, inventory, property, plant and equipment, commercial and residential real estate. We manage the credit risk on these commitments by subjecting them to normal underwriting and risk management processes.

At December 31, 2011, the bank had issued commitments to extend credit and standby letters of credit and financial guarantees of $634.7 million through various types of lending arrangements, of which $439.0 million was at variable rates. We believe that we have adequate sources of liquidity to fund commitments that are drawn upon by the borrowers.

In addition to commitments to extend credit, we also issue standby letters of credit, which are assurances to third parties that they will not suffer a loss if our customer fails to meet its contractual

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obligation to the third party. Standby letters of credit totaled $19.3 million at December 31, 2011. Past experience indicates that many of these standby letters of credit will expire unused. However, through our various sources of liquidity, we believe that we will have the necessary resources to meet these obligations should the need arise.

Except as disclosed in this report, we are not involved in off-balance sheet contractual relationships, unconsolidated related entities that have off-balance sheet arrangements or transactions that could result in liquidity needs or other commitments that significantly impact earnings.

Effect of Inflation and Changing Prices

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which require the measure of financial position and results of operations in terms of historical dollars, without consideration of changes in the relative purchasing power over time due to inflation. Unlike most other industries, the majority of the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates generally have a more significant effect on a financial institution's performance than does the effect of inflation. Interest rates do not necessarily change in the same magnitude as the prices of goods and services.

While the effect of inflation on banks is normally not as significant as is its influence on those businesses which have large investments in plant and inventories, it does have an effect. During periods of high inflation, there are normally corresponding increases in money supply, and banks will normally experience above average growth in assets, loans and deposits. Also, general increases in the prices of goods and services will result in increased operating expenses. Inflation also affects our bank's customers and may result in an indirect effect on our bank's business.

Contractual Obligations

The following table presents payment schedules for certain of our contractual obligations as of December 31, 2011. Long-term debt obligations totaling $46.7 million include junior subordinated debt. Operating lease obligations of $25.5 million pertain to banking facilities and equipment. Certain lease agreements include payment of property taxes and insurance and contain various renewal options. Additional information regarding leases is contained in Note 22 of the audited consolidated financial statements. Additional information regarding FDIC loss share agreement estimated clawback is contained in Note 2 of the audited consolidated financial statements.

Table 21 Obligations

(Dollars in thousands)	Total	Less Than 1 Year	1 to 3 Years	3 to 5 Years	More Than 5 Years
Long-term debt obligations*	$ 46,683	$ 1,180	$ 1,171	$	$ 44,332
Operating lease obligations	25,533	2,873	4,601	3,741	14,318
FDIC loss share agreement estimated clawback	1,000				1,000
Total	$ 73,216	$ 4,053	$ 5,772	$ 3,741	$ 59,650

* Represents principal maturities.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

See "Asset-Liability Management and Market Risk Sensitivity" on page 72 in Management's Discussion and Analysis of Financial Condition and Results of Operations for quantitative and qualitative disclosures about market risk.

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Item 8. Financial Statements and Supplementary Data.

See Table 1 on page 49 for our unaudited quarterly results of operations and the pages beginning with F-1 for our audited consolidated financial statements.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

Not applicable.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

As of December 31, 2011 (the "Evaluation Date"), we carried out an evaluation, under the supervision and with the participation of management, including our President and Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of SCBT's disclosure controls and procedures pursuant to Exchange Act Rule 13a-15. We applied our judgment in the process of reviewing these controls and procedures, which, by their nature, can provide only reasonable assurance regarding our control objectives. Based upon this evaluation, our President and Chief Executive Officer and our Chief Financial Officer concluded that SCBT's disclosure controls and procedures as of the Evaluation Date were effective to provide reasonable assurance regarding our control objectives.

Changes in Internal Controls

There were no changes in our internal controls over financial reporting that occurred during our most recent fiscal quarter that materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Management's Report on Internal Controls over Financial Reporting

We are responsible for establishing and maintaining adequate internal control over financial reporting. Management's assessment of the effectiveness of SCBT's internal control over financial reporting as of December 31, 2011 is included in Item 8 of this Report under the heading "Management's Report on Internal Controls Over Financial Reporting."

Our independent auditors have issued an audit report on management's assessment of internal controls over financial reporting. This report entitled "Report of Independent Registered Public Accounting Firm" appears in Item 8.

Item 9B. Other Information.

Not applicable.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required by this item will be incorporated herein by reference to the information in SCBT's definitive proxy statement to be filed in connection with the our 2012 Annual Meeting of Shareholders under the caption "Election of Directors," in the fourth paragraph under the caption "The Board of Directors and Committees," in the subsection titled "Audit Committee" under the caption "The Board of Directors and Committees," in the subsection titled "Governance Committee" under the caption "The Board of Directors and Committees," and under the caption "Section 16(a) Beneficial Ownership Reporting Compliance."

Item 11. Executive Compensation.

The information required by this item will be incorporated herein by reference to the information in SCBT's definitive proxy statement to be filed in connection with our 2012 Annual Meeting of Shareholders under the caption "Executive Compensation," including the sections titled "Compensation Discussion and Analysis," "Summary Compensation Table," "Grants of Plan Based Awards," "Outstanding Equity Awards at Fiscal Year-End," "Option Exercises and Stock Vested," "Pension Benefits," "Deferred Compensation Plan," "Compensation Committee Report," "Potential Payments Upon Termination or Change of Control," "Director Compensation," and "Compensation Committee Interlocks and Insider Participation."

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The following table contains certain information as of December 31, 2011, relating to securities authorized for issuance under our equity compensation plans:

Plan Category	A Number of securities to be issued upon exercise of outstanding options, warrants, and rights	B Weighted-average exercise price of outstanding options, warrants, and rights	C Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column "A")
Equity compensation plans approved by security holders	370,207	$ 30.69	254,731
Equity compensation plans not approved by security holders	None	n/a	n/a

Included within the 254,731 number of securities available for future issuance in the table above are a total of 184,278 shares remaining from the authorized total of 363,825 under SCBT's Employee Stock Purchase Plan. All securities totals for the outstanding and remaining available for future issuance amounts described in this Item 12 have been adjusted to give effect to stock dividends paid on March 23, 2007, January 1, 2005 and December 6, 2002.

Other information required by this item will be incorporated herein by reference to the information under the captions "Beneficial Ownership of Certain Parties" and "Beneficial Ownership of Directors and Executive Officers" in the definitive proxy statement of SCBT to be filed in connection with our 2012 Annual Meeting of Shareholders.

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Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by this item will be incorporated herein by reference to the information under the caption "Certain Relationships and Related Transactions" in the definitive proxy statement of SCBT to be filed in connection with our 2012 Annual Meeting of Shareholders.

Item 14. Principal Accounting Fees and Services.

The information required by this item will be incorporated by reference to the information under the caption "Audit and Other Fees" in the definitive proxy statement of SCBT to be filed in connection with our 2012 Annual Meeting of Shareholders.

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PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a)

1. The financial statements and independent auditors' report referenced in "Item 8 Financial Statements and Supplementary Data" are listed below:

SCBT Financial Corporation and Subsidiary
Report of Independent Registered Public Accounting Firm
Consolidated Balance Sheets
Consolidated Statements of Income
Consolidated Statements of Changes in Shareholders' Equity
Consolidated Statements of Cash Flows
Notes to Consolidated Financial Statements

2. Financial Schedules Filed: None

3. Exhibits

In most cases, documents incorporated by reference to exhibits that have been filed with SCBT's reports or proxy statements under the Securities Exchange Act of 1934 are available to the public over the Internet from the SEC's web site at www.sec.gov. You may also read and copy any such document at the SEC's public reference room located at 450 Fifth Street, N.W., Washington, D.C. 20549 under the Company's SEC file number (001-12669).

Exhibit No.	Description of Exhibit
2.1	Purchase & Assumption Agreement dated January 29, 2010 (incorporated by reference as Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed on February 4, 2010)
2.2	Purchase & Assumption Agreement dated February 18, 2011 (incorporated by reference as Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed on February 25, 2011)
2.3	Purchase & Assumption Agreement dated July 29, 2011 (incorporated by reference as Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed on August 2, 2011)
2.4	Agreement and Plan of Merger, dated as of December 19, 2011, by and between SCBT Financial Corporation and Peoples Bancorporation, Inc. (incorporated by reference as Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed on December 23, 2011)
3.1	Amended and Restated Articles of Incorporation of SCBT Financial Corporation (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on December 31, 2008)
3.2	Amended and Restated Bylaws of SCBT Financial Corporation (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on December 23, 2008)
3.3	Articles of Amendment to Articles of Incorporation of SCBT Financial Corporation (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on January 16, 2009)
4.1	Specimen SCBT Financial Corporation Common Stock Certificate (incorporated by reference to Exhibit 4.1 to the Registrant's Annual Report on Form 10-K filed on March 15, 2007)
4.2	Articles of Incorporation (included as Exhibits 3.1 and 3.3)
4.3	Bylaws (included as Exhibit 3.2)

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Exhibit No.	Description of Exhibit
4.4	Form of Series T Preferred Stock Certificate (incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed on January 16, 2009)
10.1	First National Corporation Dividend Reinvestment Plan (incorporated by reference to exhibits filed with Registration Statement on Form S-8, Registration No. 33-58692)
10.2*	First National Corporation Incentive Stock Option Plan of 1996 (incorporated by reference to the Registrant's Definitive Proxy Statement filed in connection with its 1996 Annual Meeting of Shareholders)
10.3*	First National Corporation 1999 Stock Option Plan (incorporated by reference to Exhibit 4 to the Registrant's Registration Statement on Form S-8, Registration No. 333-33092)
10.4*	First National Corporation 2002 Employee Stock Purchase Plan (incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form S-8, File No. 333-90014)
10.5*	SCBT Financial Corporation Stock Incentive Plan (incorporated by reference to Appendix A to the Registrant's Definitive Proxy Statement filed in connection with its 2004 Annual Meeting of Shareholders)
10.6	Indenture between SCBT Financial Corporation, as Issuer, and Wilmington Trust Company, as Debenture Trustee, dated as of April 7, 2005 (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on April 13, 2005)
10.7	Guarantee Agreement between SCBT Financial Corporation and Wilmington Trust Company, dated as of April 7, 2005 (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on April 13, 2005)
10.8	Amended and Restated Declaration of Trust among SCBT Financial Corporation, as Sponsor, Wilmington Trust Company, as Institutional Trustee, Wilmington Trust Company, as Delaware Trustee, and the Administrators named therein, including exhibits containing the related forms of the SCBT Capital Trust I Common Securities Certificate and the Preferred Securities Certificate, dated as of April 7, 2005 (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed on April 13, 2005)
10.9	Indenture between SCBT Financial Corporation, as Issuer, and Wilmington Trust Company, as Debenture Trustee, dated as of April 7, 2005 (incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K filed on April 13, 2005)
10.10	Guarantee Agreement between SCBT Financial Corporation and Wilmington Trust Company, dated as of April 7, 2005 (incorporated by reference to Exhibit 10.5 to the Registrant's Current Report on Form 8-K filed on April 13, 2005)
10.11	Amended and Restated Declaration of Trust among SCBT Financial Corporation, as Sponsor, Wilmington Trust Company, as Institutional Trustee, Wilmington Trust Company, as Delaware Trustee, and the Administrators named therein, including exhibits containing the related forms of the SCBT Capital Trust II Common Securities Certificate and the Preferred Securities Certificate, dated as of April 7, 2005 (incorporated by reference to Exhibit 10.6 to the Registrant's Current Report on Form 8-K filed on April 13, 2005)
10.12	Indenture between SCBT Financial Corporation and JPMorgan Chase Bank, National Association, as Trustee, dated as of July 18, 2005 (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on July 22, 2005)

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Exhibit No.	Description of Exhibit
10.13	Guarantee Agreement between SCBT Financial Corporation and JPMorgan Chase Bank, National Association, dated as of July 18, 2005 (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on July 22, 2005)
10.14	Amended and Restated Declaration of Trust among SCBT Financial Corporation, as Sponsor, JPMorgan Chase Bank, National Association, as Institutional Trustee, Chase Bank USA, National Association, as Delaware Trustee, and the Administrators named therein, including exhibits containing the related forms of the SCBT Capital Trust III Capital Securities Certificate and the Common Securities Certificate, dated as of July 18, 2005 (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed on July 22, 2005)
10.15	Form of SCBT Financial Corporation Restricted Stock Agreement for Restricted Stock Awarded to Directors under the SCBT Financial Corporation Stock Incentive Plan, effective as of May 27, 2004 (incorporated by reference to Exhibit 10.28 to the Registrant's Annual Report on Form 10-K filed on March 16, 2006)
10.16	Form of SCBT Financial Corporation Restricted Stock Agreement for Restricted Stock Awarded to Employees Under the SCBT Financial Corporation Stock Incentive Plan, effective as of May 27, 2004 (incorporated by reference to Exhibit 10.29 to the Registrant's Annual Report on Form 10-K filed on March 16, 2006)
10.17	Form of SCBT Financial Corporation Stock Option Agreement for Options Granted to Directors Under the SCBT Financial Corporation Stock Incentive Plan, effective as of May 27, 2004 (incorporated by reference to Exhibit 10.30 to the Registrant's Annual Report on Form 10-K filed on March 16, 2006)
10.18	Form of SCBT Financial Corporation Stock Option Agreement for Options Granted to Officers and Employees Under the SCBT Financial Corporation Stock Incentive Plan, effective as of May 27, 2004 (incorporated by reference to Exhibit 10.31 to the Registrant's Annual Report on Form 10-K filed on March 16, 2006)
10.19	Description of the 2006 Long-Term Retention and Incentive Plan (incorporated by reference to Exhibit 10.15 to the Registrant's Current Report on Form 8-K filed on November 7, 2006)
10.20	Amended and Restated South Carolina Bank & Trust Deferred Income Plan, executed on November 16, 2006, to be effective as of January 1, 2005 (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on November 22, 2006)
10.21	Amended and Restated South Carolina Bank & Trust Non-Employee Directors Deferred Income Plan, executed on November 16, 2006, to be effective as of January 1, 2005 (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on November 22, 2006)
10.22	Form of Agreement for Restricted Stock Issued Pursuant to the Long-Term Retention and Incentive Plan (incorporated by reference to Exhibit 10.37 to the Registrant's Annual Report on Form 10-K filed on March 15, 2007)
10.23*	Second Amended and Restated Employment and Noncompetition Agreement between SCBT Financial Corporation and Robert R. Hill, Jr., dated as of December 31, 2008 (incorporated by reference to Exhibit 10.5 to the Registrant's Current Report on Form 8-K filed on January 6, 2009)

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Exhibit No.	Description of Exhibit
10.24*	Second Amended and Restated Employment and Non-Competition Agreement between SCBT Financial Corporation and Thomas S. Camp, dated and effective as of December 31, 2008 (incorporated by reference to Exhibit 10.8 to the Registrant's Current Report on Form 8-K filed on January 6, 2009)
10.25*	Second Amended and Restated Employment and Non-Competition Agreement between SCBT Financial Corporation and John C. Pollok, dated and effective as of December 31, 2008 (incorporated by reference to Exhibit 10.6 to the Registrant's Current Report on Form 8-K filed on January 6, 2009)
10.26*	Second Amended and Restated Employment and Non-Competition Agreement between SCBT Financial Corporation and Richard C. Mathis, dated and effective as of December 31, 2008 (incorporated by reference to Exhibit 10.9 to the Registrant's Current Report on Form 8-K filed on January 6, 2009)
10.27*	Second Amended and Restated Employment and Non-Competition Agreement between SCBT Financial Corporation and Joseph E. Burns, dated and effective as of December 31, 2008 (incorporated by reference to Exhibit 10.7 to the Registrant's Current Report on Form 8-K filed on January 6, 2009)
10.28*	Amended and Restated Employment and Non-Competition Agreement between SCBT Financial Corporation and John Windley, dated and effective as of December 31, 2008 (incorporated by reference to Exhibit 10.11 to the Registrant's Current Report on Form 8-K filed on January 6, 2009)
10.29*	Amended and Restated Employment and Non-Competition Agreement between SCBT Financial Corporation and Dane Murray, dated and effective as of December 31, 2008 (incorporated by reference to Exhibit 10.10 to the Registrant's Current Report on Form 8-K filed on January 6, 2009)
10.30*	Form of Amendment to the Supplemental Executive Retirement Agreements between SCBT, N.A. and Robert R. Hill, Jr., John C. Pollok, and Joseph E. Burns effective as of December 30, 2008 (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on January 6, 2009)
10.31*	Form of Termination Letter for Supplemental Executive Retirement Agreements for Robert R. Hill, Jr., John C. Pollok, and Joseph E. Burns, dated December 30, 2008 (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on January 6, 2009)
10.32*	Form of Amendment to the Supplemental Executive Retirement Agreements between SCBT, N.A. and Thomas S. Camp, Richard C. Mathis, Dane H. Murray, and John F. Windley, effective as of December 31, 2008 (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed on January 6, 2009)
10.33	Amendment to the 2004 Stock Incentive Plan, dated December 18, 2008 (incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K filed on January 6, 2009)
10.34	Amended and Restated 2002 Employee Stock Purchase Plan (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed on April 30, 2009)
10.35	Employment and Noncompetition Agreement for Donald E. Pickett, effective January 22, 2010 (incorporated by reference as Exhibit 10 to the Registrant's Current Report on Form 8-K filed on January 25, 2010)

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Exhibit No.	Description of Exhibit
10.36	Employment and Noncompetition Agreement for Renee R. Brooks, effective January 27, 2011 (incorporated by reference as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on February 2, 2011)
10.37*	Executive Performance Plan (incorporated by reference as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on August 2, 2011)
10.38	Form of Voting Agreement (incorporated by reference as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on December 23, 2011)
21	Subsidiaries of the Registrant
23	Consent of Dixon Hughes Goodman LLP
24.1	Power of Attorney (contained herein as part of the signature pages)
31.1	Rule 13a-14(a) Certification of the Principal Executive Officer
31.2	Rule 13a-14(a) Certification of the Principal Financial Officer
32	Section 1350 Certifications
101	The following financial statements from the Annual Report on Form 10-K of SCBT Financial Corporation, formatted in eXtensible Business Reporting Language (XBRL): (i) Consolidated Balance Sheets as of December 31, 2011 and 2010, (ii) Consolidated Statements of Income for the years ended December 31, 2011, 2010 and 2009, (iii) Consolidated Statements of Changes in Shareholders' Equity and Comprehensive Income (Loss) for the years ended December 31, 2011, 2010 and 2009, (iv) Consolidated Statement of Cash Flows for the years ended December 31, 2011, 2010 and 2009 and (v) Notes to Consolidated Financial Statements.(1)

*
Denotes a management compensatory plan or arrangement.

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

(b)
See Exhibit Index following the Annual Report on Form 10-K for a listing of exhibits filed herewith.

(c)
Not Applicable.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Columbia and State of South Carolina, on the ninth day of March, 2012.

SCBT FINANCIAL CORPORATION
(Registrant)

By: /s/ ROBERT R. HILL, JR.

Robert R. Hill, Jr.
President and Chief Executive Officer

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Robert R. Hill, Jr., his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that attorney-in-fact and agent, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, this report has been signed below by the following persons in the capacities indicated.

Signature	Title	Date
/s/ ROBERT R. HILL, JR. Robert R. Hill, Jr.	President and Chief Executive Officer	March 9, 2012
/s/ JOHN C. POLLOK John C. Pollok	Senior Executive Vice President and Chief Operating Officer	March 9, 2012
/s/ DONALD E. PICKETT Donald E. Pickett	Executive Vice President and Chief Financial Officer	March 9, 2012
/s/ KEITH S. RAINWATER Keith S. Rainwater	Senior Vice President, Director of External Reporting, and Principal Accounting Officer	March 9, 2012
/s/ ROBERT R. HORGER Robert R. Horger	Chairman of the Board of Directors	March 9, 2012

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Signature	Title	Date
/s/ JIMMY E. ADDISON Jimmy E. Addison	Director	March 9, 2012
/s/ LUTHER J. BATTISTE, III Luther J. Battiste, III	Director	March 9, 2012
/s/ M. OSWALD FOGLE M. Oswald Fogle	Director	March 9, 2012
/s/ DWIGHT W. FRIERSON Dwight W. Frierson	Director	March 9, 2012
/s/ HERBERT G. GRAY Herbert G. Gray	Director	March 9, 2012
/s/ CYNTHIA A. HARTLEY Cynthia A. Hartley	Director	March 9, 2012
/s/ HARRY M. MIMS, JR. Harry M. Mims, Jr.	Director	March 9, 2012
/s/ RALPH W. NORMAN Ralph W. Norman, Jr.	Director	March 9, 2012
/s/ ALTON C. PHILLIPS Alton C. Phillips	Director	March 9, 2012
/s/ JAMES W. ROQUEMORE James W. Roquemore	Director	March 9, 2012
/s/ THOMAS E. SUGGS Thomas E. Suggs	Director	March 9, 2012

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Signature	Title	Date
/s/ SUSIE H. VANHUSS Susie H. VanHuss	Director	March 9, 2012
/s/ KEVIN P. WALKER Kevin P. Walker	Director	March 9, 2012
/s/ JOHN W. WILLIAMSON, III John W. Williamson, III	Director	March 9, 2012

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EXHIBIT INDEX

Exhibit No.	Description of Exhibit
21	Subsidiaries of the Registrant
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31.2	Rule 13a-14(a) Certification of the Principal Financial Officer
32	Section 1350 Certifications
101	The following financial statements from the Annual Report on Form 10-K of SCBT Financial Corporation, formatted in eXtensible Business Reporting Language (XBRL): (i) Consolidated Balance Sheets as of December 31, 2011 and 2010, (ii) Consolidated Statements of Income for the years ended December 31, 2011, 2010 and 2009, (iii) Consolidated Statements of Changes in Shareholders' Equity and Comprehensive Income (Loss) for the years ended December 31, 2011, 2010 and 2009, (iv) Consolidated Statement of Cash Flows for the years ended December 31, 2011, 2010 and 2009 and (v) Notes to Consolidated Financial Statements.(1)

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

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MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of SCBT Financial Corporation (the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting. Management has assessed the effectiveness of internal control over financial reporting using the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisitions, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on the testing performed using the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), management of the Company believes that the company's internal control over financial reporting was effective as of December 31, 2011.

The effectiveness of our internal control over financial reporting as of December 31, 2011, has been audited by Dixon Hughes Goodman LLP, an independent registered public accounting firm, as stated in their report which is included herein.

SCBT Financial Corporation
Columbia, South Carolina
March 9, 2012

www.SCBTonline.com
(803) 771-2265 -- P.O. Box 1030 -- Columbia, South Carolina -- 29202-1030

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders
SCBT Financial Corporation

We have audited SCBT Financial Corporation's (the "Company") internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, SCBT Financial Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of SCBT Financial Corporation and subsidiary as of December 31, 2011 and 2010, and each of the years in the three year period ended

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December 31, 2011 and our report dated March 9, 2012, expressed an unqualified opinion on those consolidated financial statements.

/s/ DIXON HUGHES GOODMAN LLP

Charlotte, North Carolina
March 9, 2012

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and the Shareholders
SCBT Financial Corporation

We have audited the accompanying consolidated balance sheets of SCBT Financial Corporation and subsidiary (the "Company") as of December 31, 2011 and 2010, and the related consolidated statements of income, changes in shareholders' equity and cash flows for each of the years in the three year period ended December 31, 2011. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SCBT Financial Corporation and subsidiary as of December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the years in the three year period ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 9, 2012, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ DIXON HUGHES GOODMAN LLP
Charlotte, North Carolina
March 9, 2012

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SCBT Financial Corporation and Subsidiary

Consolidated Balance Sheets

(Dollars in thousands, except par value)

	December 31, 2011	December 31, 2010
ASSETS		
Cash and cash equivalents:		
Cash and due from banks	**$ 129,729**	$ 83,449
Interest-bearing deposits with banks	**1,822**	416
Federal funds sold and securities purchased under agreements to resell	**39,874**	153,234
Total cash and cash equivalents	**171,425**	237,099
Investment securities:		
Securities held to maturity (fair value of $17,864 and $20,150, respectively)	**16,569**	19,941
Securities available for sale, at fair value	**289,195**	197,374
Other investments	**18,292**	20,597
Total investment securities	**324,056**	237,912
Loans held for sale	**45,809**	42,704
Loans:		
Acquired	**402,201**	321,038
Less allowance for acquired loan losses	**(31,620)**	
Non-acquired	**2,470,565**	2,296,200
Less allowance for non-acquired loan losses	**(49,367)**	(47,512)
Loans, net	**2,791,779**	2,569,726
FDIC receivable for loss share agreements	**262,651**	212,103
Other real estate owned (covered of $65,849 and $69,317, respectively; and non-covered of $18,022 and $17,264, respectively)	**83,871**	86,581
Premises and equipment, net	**94,250**	87,381
Goodwill	**62,888**	62,888
Other assets	**59,828**	58,397
Total assets	**$ 3,896,557**	$ 3,594,791
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Noninterest-bearing	**$ 658,454**	$ 484,838
Interest-bearing	**2,596,018**	2,519,310
Total deposits	**3,254,472**	3,004,148
Federal funds purchased and securities sold under agreements to repurchase	**180,436**	191,017
Other borrowings	**46,683**	46,978
Other liabilities	**33,186**	22,691
Total liabilities	**3,514,777**	3,264,834

Shareholders' equity:		
Preferred stock $.01 par value; authorized 10,000,000 shares; no shares issued and outstanding		
Common stock $2.50 par value; authorized 40,000,000 shares; 14,039,422 and 12,793,823 shares issued and outstanding	**35,099**	31,985
Surplus	**233,232**	198,647
Retained earnings	**116,198**	103,117
Accumulated other comprehensive loss	**(2,749)**	(3,792)
Total shareholders' equity	**381,780**	329,957
Total liabilities and shareholders' equity	**$ 3,896,557**	$ 3,594,791

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

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SCBT Financial Corporation and Subsidiary

Consolidated Statements of Income

(Dollars in thousands, except per share data)

	Years Ended December 31,		
	2011	**2010**	**2009**
Interest income:			
Loans, including fees	**$ 162,205**	$ 143,493	$ 131,770
Investment securities:			
Taxable	**7,641**	9,985	8,501
Tax-exempt	**854**	853	936
Federal funds sold and securities purchased under agreements to resell	**1,018**	1,023	591
Total interest income	**171,718**	155,354	141,798
Interest expense:			
Deposits	**17,557**	28,526	30,731
Federal funds purchased and securities sold under agreements to repurchase	**527**	630	502
Other borrowings	**2,182**	3,581	5,975
Total interest expense	**20,266**	32,737	37,208
Net interest income	**151,452**	122,617	104,590
Provision for loan losses	**30,236**	54,282	26,712
Net interest income after provision for loan losses	**121,216**	68,335	77,878
Noninterest income:			
Gains on acquisitions	**16,529**	98,081	
Service charges on deposit accounts	**22,654**	21,342	15,498
Bankcard services income	**11,721**	8,987	5,043
Mortgage banking income	**6,271**	6,564	6,552
Trust and investment services income	**5,464**	4,251	2,517
Securities gains, net	**323**	292	82
Total other-than-temporary impairment losses	**(115)**	(1,281)	(10,494)
Portion of impairment losses recognized in other comprehensive income		(5,489)	5,489
Net impairment losses recognized in earnings	**(115)**	(6,770)	(5,005)
Accretion (amortization) of FDIC indemnification asset	**(10,135)**	2,443	
Other	**2,407**	2,545	1,559
Total noninterest income	**55,119**	137,735	26,246
Noninterest expense:			
Salaries and employee benefits	**68,937**	60,795	40,787
Net occupancy expense	**9,674**	8,544	6,392
Furniture and equipment expense	**8,476**	7,530	6,049
Merger expense	**3,198**	5,504	
FDIC assessment and other regulatory charges	**4,573**	5,283	5,449
OREO expense and loan related	**14,354**	5,304	5,641
Advertising and marketing	**2,729**	3,618	2,497
Federal Home Loan Bank advances prepayment fee		3,189	
Professional fees	**1,473**	2,046	1,358
Amortization of intangibles	**1,991**	1,650	526
Other	**27,573**	21,779	14,947
Total noninterest expense	**142,978**	125,242	83,646

Earnings:			
Income before provision for income taxes	**33,357**	80,828	20,478
Provision for income taxes	**10,762**	28,946	6,883
Net income	**22,595**	51,882	13,595
Preferred stock dividends			1,115
Accretion on preferred stock discount			3,559
Net income available to common shareholders	**$ 22,595**	$ 51,882	$ 8,921
Earnings per common share:			
Basic	**$ 1.65**	$ 4.11	$ 0.74
Diluted	**$ 1.63**	$ 4.08	$ 0.74
Dividends per common share	**$ 0.68**	$ 0.68	$ 0.68
Weighted average common shares outstanding:			
Basic	**13,677**	12,618	12,061
Diluted	**13,751**	12,720	12,109

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

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SCBT Financial Corporation and Subsidiary

Consolidated Statements of Changes in Shareholders' Equity

(Dollars in thousands, except per share data)

	Preferred Stock		Common Stock				Accumulated Other Comprehensive	
	Shares	Amount	Shares	Amount	Surplus	Retained Earnings	Loss	Total
Balance, December 31, 2008		$	11,250,603	$ 28,127	$ 166,815	$ 59,171	$ (9,185)	$ 244,928
Comprehensive income:								
Net income						13,595		13,595
Other comprehensive income, net of tax effects Pension and retiree medical plan							1,279	1,279
Change in pension liability for plan curtailment							1,283	1,283
Change in net unrealized gain on securities available for sale							4,795	4,795
Noncredit portion of other-than-temporary impairment losses recognized in earnings							(3,540)	(3,540)
Change in unrealized losses on derivative financial instruments qualifying as cash flow hedges							(14)	(14)
Total comprehensive income								17,398
Cash dividends on Series T preferred stock at annual dividend rate of 5%		3,559				(4,674)		(1,115)
Cash dividends declared at $.68 per share						(8,177)		(8,177)
Issuance of Series T preferred stock, net of issuance costs	64,779	61,220			3,412			64,632
Repurchase of Series T preferred stock and warrants	(64,779)	(64,779)			(1,400)			(66,179)
Stock options exercised			30,831	77	455			532
Employee stock purchases			27,991	70	496			566
Restricted stock awards			89,431	224	(224)			
Common stock repurchased			(15,823)	(40)	(406)			(446)
Share-based compensation expense					1,431			1,431
Common stock issued in public offering			1,356,500	3,391	25,858			29,249
Balance, December 31, 2009			12,739,533	31,849	196,437	59,915	(5,382)	282,819
Comprehensive income:								
Net income						51,882		51,882
Other comprehensive income, net of tax effects Pension and retiree medical plan							(514)	(514)
Change in net unrealized gain on securities available for sale							(1,041)	(1,041)
Noncredit portion of other-than-temporary impairment losses recognized in earnings							3,540	3,540
Change in unrealized losses on derivative financial instruments qualifying as cash flow hedges							(395)	(395)
Total comprehensive income								53,472
Cash dividends declared at $.68 per share						(8,680)		(8,680)
Stock options exercised			16,220	41	266			307
Employee stock purchases			22,371	56	613			669
Restricted stock awards			22,971	57	(57)			
Common stock repurchased			(7,272)	(18)	(237)			(255)
Share-based compensation expense					1,625			1,625
Balance, December 31, 2010			12,793,823	31,985	198,647	103,117	(3,792)	329,957
Comprehensive income:								
Net income						22,595		22,595
Other comprehensive income, net of tax effects Pension and retiree medical plan							(3,007)	(3,007)
							4,501	4,501

Change in net unrealized gain on securities available for sale						
Change in unrealized losses on derivative financial instruments qualifying as cash flow hedges					(451)	(451)
Total comprehensive income						23,638
Cash dividends declared at $.68 per share				(9,514)		(9,514)
Stock options exercised	43,533	109	622			731
Employee stock purchases						