

SCBT FINANCIAL CORP
Form 10-Q
August 09, 2012
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2012

OR

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

For the transition period from to

Commission file number 001-12669

SCBT FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

South Carolina

(State or other jurisdiction of incorporation)

57-0799315

(IRS 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)

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 ☒ No ☐

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

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 ☐

Accelerated Filer ☒

Non-Accelerated Filer ☐

Smaller Reporting Company ☐

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

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

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Class
Common Stock, \$2.50 par value

Outstanding as of July 31, 2012
15,093,603

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SCBT Financial Corporation and Subsidiary

June 30, 2012 Form 10-Q

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[Table of Contents](#)**PART I FINANCIAL INFORMATION****Item 1. FINANCIAL STATEMENTS****SCBT Financial Corporation and Subsidiary****Condensed Consolidated Balance Sheets***(Dollars in thousands, except par value)*

	June 30, 2012 (Unaudited)	December 31, 2011 (Note 1)	June 30, 2011 (Unaudited)
ASSETS			
Cash and cash equivalents:			
Cash and due from banks	\$ 140,855	\$ 129,729	\$ 87,319
Interest-bearing deposits with banks	2,294	1,822	1,088
Federal funds sold and securities purchased under agreements to resell	166,770	39,874	160,660
Total cash and cash equivalents	309,919	171,425	249,067
Investment securities:			
Securities held to maturity (fair value of \$17,743, \$17,864, and \$19,834, respectively)	16,567	16,569	19,100
Securities available for sale, at fair value	478,472	289,195	209,956
Other investments	16,099	18,292	20,427
Total investment securities	511,138	324,056	249,483
Loans held for sale	42,525	45,809	17,956
Loans:			
Acquired (covered of \$332,874, \$394,495, and \$369,658, respectively; non-covered of \$227,184, \$7,706, and \$9,683, respectively)	560,058	402,201	379,341
Less allowance for acquired loan losses	(35,813)	(31,620)	(25,545)
Non-acquired	2,481,251	2,470,565	2,405,613
Less allowance for non-acquired loan losses	(47,269)	(49,367)	(48,180)
Loans, net	2,958,227	2,791,779	2,711,229
FDIC receivable for loss share agreements	200,569	262,651	299,200
Premises and equipment, net	106,458	94,250	90,529
Other real estate owned (covered of \$53,146, \$65,849, and \$74,591, respectively; non-covered of \$31,263, \$18,022, and \$24,900, respectively)	84,409	83,871	99,491
Goodwill	66,542	62,888	62,888
Bank owned life insurance	35,543	22,111	21,836
Core deposit and other intangibles	13,429	11,538	12,027
Other assets	44,510	26,179	26,229
Total assets	\$ 4,373,269	\$ 3,896,557	\$ 3,839,935
LIABILITIES AND SHAREHOLDERS EQUITY			
Deposits:			
Noninterest-bearing	\$ 806,235	\$ 658,454	\$ 598,112
Interest-bearing	2,854,737	2,596,018	2,607,716
Total deposits	3,660,972	3,254,472	3,205,828
Federal funds purchased and securities sold under agreements to repurchase	220,264	180,436	187,550

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Other borrowings	46,105	46,683	46,275
Other liabilities	21,022	33,186	29,177
Total liabilities	3,948,363	3,514,777	3,468,830
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; 15,085,991, 14,039,422, and 13,987,686 shares issued and outstanding			
	37,715	35,099	34,969
Surplus	262,647	233,232	231,640
Retained earnings	126,304	116,198	105,799
Accumulated other comprehensive loss	(1,760)	(2,749)	(1,303)
Total shareholders' equity	424,906	381,780	371,105
Total liabilities and shareholders' equity	\$ 4,373,269	\$ 3,896,557	\$ 3,839,935

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

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SCBT Financial Corporation and Subsidiary

Condensed Consolidated Statements of Income (unaudited)

(Dollars in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Interest income:				
Loans, including fees	\$ 42,120	\$ 40,994	\$ 81,898	\$ 77,824
Investment securities:				
Taxable	2,870	1,741	4,906	3,598
Tax-exempt	201	235	395	450
Federal funds sold and securities purchased under agreements to resell	279	361	491	714
Total interest income	45,470	43,331	87,690	82,586
Interest expense:				
Deposits	2,272	4,661	4,766	10,378
Federal funds purchased and securities sold under agreements to repurchase	110	142	236	302
Other borrowings	554	527	1,116	1,059
Total interest expense	2,936	5,330	6,118	11,739
Net interest income	42,534	38,001	81,572	70,847
Provision for loan losses	4,642	4,215	7,365	14,856
Net interest income after provision for loan losses	37,892	33,786	74,207	55,991
Noninterest income:				
Service charges on deposit accounts	5,886	5,615	11,333	10,645
Bankcard services income	3,618	3,045	6,938	5,704
Mortgage banking income	2,962	1,125	4,792	1,988
Trust and investment services income	1,642	1,525	3,039	2,774
Securities gains	61	10	61	333
Amortization of FDIC indemnification assets, net	(4,370)	(3,133)	(7,603)	(3,534)
Gains on acquisitions				5,528
Other	1,945	605	2,657	1,227
Total noninterest income	11,744	8,792	21,217	24,665
Noninterest expense:				
Salaries and employee benefits	18,262	18,016	36,310	34,662
Information services expense	2,902	2,503	5,370	4,845
Net occupancy expense	2,478	2,346	4,726	4,922
Furniture and equipment expense	2,371	2,181	4,610	4,139
OREO expense and loan related	2,115	2,662	4,831	5,310
Merger and conversion related expense	1,998	598	2,094	1,207
FDIC assessment and other regulatory charges	1,073	1,255	2,110	2,734
Professional fees	732	616	1,365	934
Advertising and marketing	553	289	1,310	1,198
Amortization of intangibles	540	505	1,040	951
Other	4,484	4,077	8,961	8,370
Total noninterest expense	37,508	35,048	72,727	69,272
Earnings:				
Income before provision for income taxes	12,128	7,530	22,697	11,384
Provision for income taxes	4,097	2,612	7,638	3,950

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Net income	\$	8,031	\$	4,918	\$	15,059	\$	7,434
Earnings per common share:								
Basic	\$	0.55	\$	0.36	\$	1.06	\$	0.55
Diluted	\$	0.55	\$	0.35	\$	1.05	\$	0.55
Dividends per common share	\$	0.17	\$	0.17	\$	0.34	\$	0.34
Weighted-average common shares outstanding:								
Basic		14,651		13,805		14,260		13,500
Diluted		14,733		13,886		14,334		13,582

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

Table of Contents**SCBT Financial Corporation and Subsidiary****Condensed Consolidated Statements of Comprehensive Income (unaudited)***(Dollars in thousands)*

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Net income	\$ 8,031	\$ 4,918	\$ 15,059	\$ 7,434
Other comprehensive income (loss):				
Unrealized gains on securities:				
Unrealized holding gains arising during period	2,109	2,770	1,783	4,296
Tax effect	(804)	(983)	(680)	(1,521)
Reclassification adjustment for gains included in net income	(61)	(10)	(61)	(333)
Tax effect	23	3	23	115
Net of tax amount	1,267	1,780	1,065	2,557
Unrealized losses on derivative financial instruments qualifying as cash flow hedges:				
Unrealized holding losses arising during period	(306)	(306)	(267)	(256)
Tax effect	117	109	99	90
Reclassification adjustment for losses included in interest expense	73	76	144	151
Tax effect	(28)	(27)	(52)	(53)
Net of tax amount	(144)	(148)	(76)	(68)
Other comprehensive income, net of tax	1,123	1,632	989	2,489
Comprehensive income	\$ 9,154	\$ 6,550	\$ 16,048	\$ 9,923

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

Table of Contents**SCBT Financial Corporation and Subsidiary****Condensed Consolidated Statements of Changes in Shareholders' Equity (unaudited)****Six Months Ended June 30, 2012 and 2011***(Dollars in thousands, except per share data)*

	Preferred Stock Shares	Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2010		\$	12,793,823	\$ 31,985	\$ 198,647	\$ 103,117	\$ (3,792)	\$ 329,957
Comprehensive income:								
Net income						7,434		7,434
Other comprehensive income, net of tax							2,489	2,489
Total comprehensive income								9,923
Cash dividends declared at \$.34 per share						(4,752)		(4,752)
Employee stock purchases			5,540	14	161			175
Stock options exercised			11,550	29	184			213
Restricted stock awards			52,680	132	(132)			
Common stock repurchased			(4,939)	(13)	(146)			(159)
Share-based compensation expense					909			909
Common stock issued in private placement offering			1,129,032	2,822	32,017			34,839
Balance, June 30, 2011		\$	13,987,686	\$ 34,969	\$ 231,640	\$ 105,799	\$ (1,303)	\$ 371,105
Balance, December 31, 2011		\$	14,039,422	\$ 35,099	\$ 233,232	\$ 116,198	\$ (2,749)	\$ 381,780
Comprehensive income:								
Net income						15,059		15,059
Other comprehensive income, net of tax							989	989
Total comprehensive income								16,048
Cash dividends declared at \$.34 per share						(4,953)		(4,953)
Employee stock purchases			6,216	16	160			176

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Stock options exercised	6,661	16	145	161
Restricted stock awards	41,374	103	(103)	
Common stock repurchased	(10,423)	(26)	(302)	(328)
Share-based compensation expense			877	877
Common stock issued for Peoples Bancorporation acquisition	1,002,741	2,507	28,638	31,145
Balance, June 30, 2012	\$ 15,085,991	\$ 37,715	\$ 262,647	\$ 126,304
				\$ (1,760)
				\$ 424,906

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

Table of Contents**SCBT Financial Corporation and Subsidiary****Condensed Consolidated Statements of Cash Flows (unaudited)***(Dollars in thousands)*

	Six Months Ended June 30,	
	2012	2011
Cash flows from operating activities:		
Net income	\$ 15,059	\$ 7,434
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,895	5,093
Provision for loan losses	7,365	14,856
Deferred income taxes	(21,282)	(105)
Gain on sale of securities	(61)	(333)
Gains on acquisitions		(5,528)
Share-based compensation expense	877	909
Loss on disposal of premises and equipment	2	48
Amortization of FDIC indemnification asset	7,603	3,534
Accretion on acquired loans	(20,979)	(17,882)
Net amortization of investment securities	1,564	689
Net change in:		
Loans held for sale	3,284	24,747
Accrued interest receivable	2,776	1,377
Prepaid assets	293	2,559
FDIC loss share receivable	54,479	(3,213)
Accrued interest payable	(1,021)	(2,682)
Accrued income taxes	10,568	1,381
Miscellaneous assets and liabilities	(221)	17,688
Net cash provided by operating activities	66,201	50,572
Cash flows from investing activities:		
Proceeds from sales of investment securities available for sale	25,359	52,282
Proceeds from maturities and calls of investment securities held to maturity		840
Proceeds from maturities and calls of investment securities available for sale	48,475	40,670
Proceeds from sales of other investment securities	4,326	3,396
Purchases of investment securities available for sale	(89,133)	(43,568)
Purchases of other investment securities		(630)
Net (increase) decrease in customer loans	81,413	(22,379)
Net cash received from acquisitions	10,923	91,281
Purchases of premises and equipment	(5,278)	(7,889)
Proceeds from sale of premises and equipment	15	2
Net cash provided by investing activities	76,100	114,005
Cash flows from financing activities:		
Net decrease in deposits	(28,571)	(138,969)
Net increase (decrease) in federal funds purchased and securities sold under agreements to repurchase and other short-term borrowings	30,286	(5,618)
Repayment of FHLB advances and other borrowings	(577)	(38,338)
Common stock issuance	175	35,014
Common stock repurchased	(328)	(159)
Dividends paid on common stock	(4,953)	(4,752)
Stock options exercised	161	213
Net cash used in financing activities	(3,807)	(152,609)
Net increase in cash and cash equivalents	138,494	11,968

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Cash and cash equivalents at beginning of period		171,425		237,099
Cash and cash equivalents at end of period	\$	309,919	\$	249,067

Supplemental Disclosures:

Cash paid for:

Interest	\$	6,029	\$	13,445
Income taxes	\$	18,206	\$	2,540

Noncash investing activities:

Transfers of loans to foreclosed properties (covered of \$15,075 and \$16,002, respectively; and non-covered of \$18,950 and \$8,696, respectively)	\$	34,025	\$	24,698
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The Accompanying Notes are an Integral Part of the Financial Statements.

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SCBT Financial Corporation and Subsidiary

Notes to Condensed Consolidated Financial Statements (unaudited)

Note 1 Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and disclosures required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Certain prior period information has been reclassified to conform to the current period presentation, and these reclassifications had no impact on net income or equity as previously reported. Operating results for the six months ended June 30, 2012 are not necessarily indicative of the results that may be expected for the year ending December 31, 2012.

The condensed consolidated balance sheet at December 31, 2011 has been derived from the audited financial statements at that date but does not include all of the information and disclosures required by accounting principles generally accepted in the United States for complete financial statements.

Note 2 Summary of Significant Accounting Policies

The information contained in the consolidated financial statements and accompanying notes included in SCBT Financial Corporation's (the Company) Annual Report on Form 10-K for the year ended December 31, 2011, as filed with the Securities and Exchange Commission (the SEC) on March 9, 2012, should be referenced when reading these unaudited condensed consolidated financial statements.

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

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

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

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

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

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Note 2 Summary of Significant Accounting Policies (Continued)

Subsequent to the acquisition date, increases in cash flows expected to be received in excess of the Company's initial estimates are reclassified from nonaccretable difference to accretable yield and are accreted into interest income on a level-yield basis over the remaining life of the loan. Decreases in cash flows expected to be collected are recognized as impairment through the provision for loan losses. For acquired loans subject to a loss sharing agreement with the FDIC, the FDIC indemnification asset will be adjusted prospectively in a similar, consistent manner with increases and decreases in expected cash flows.

The FDIC indemnification asset is measured separately from the related covered asset as it is not contractually embedded in the assets and is not transferable with the assets should the Company choose to dispose of them. Fair value was estimated at the acquisition date using projected cash flows related to the loss sharing agreements based on the expected reimbursements for losses and the applicable loss sharing percentages. These expected reimbursements do not include reimbursable amounts related to future covered expenditures. These cash flows were discounted to reflect the uncertainty of the timing and receipt of the loss sharing reimbursement from the FDIC. The Company will offset any recorded provision for loan losses related to acquired loans by recording an increase in the FDIC indemnification asset by the increase in expected cash flow, which is the result of a decrease in expected cash flow of acquired loans. An increase in cash flows on acquired loans results in a decrease in cash flows on the FDIC indemnification asset, which is recognized in the future (over the eligible loss sharing time periods) as negative accretion through non-interest income.

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

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

Note 3 Recent Accounting and Regulatory Pronouncements

In May 2011, the FASB issued ASU No. 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS* (ASU 2011-04). ASU 2011-04 results in common fair value measurement and disclosure requirements in U.S. GAAP and IFRSs. ASU 2011-04 became effective for the Company on January 1, 2012 and, aside from new disclosures included in Note 14 Fair Value, did not have a significant impact on the Company's financial statements.

In June 2011, the FASB issued ASU No. 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income* (ASU 2011-05). ASU 2011-05 requires an entity to present the total of comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements.

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ASU 2011-05 eliminates the option to present the components of other comprehensive income as part of the statement of equity. Except as deferred in ASU 2011-12, *Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05* (ASU 2011-12), ASU 2011-05 became effective for the Company on January 1, 2012. In connection with the application of ASU 2011-05, the Company's financial statements now include separate statements of comprehensive income. In December 2011, the FASB issued ASU 2011-12. ASU 2011-12 defers changes in ASU No. 2011-05 that relate to the presentation of reclassification adjustments to allow the FASB time to re-deliberate whether to require presentation of such adjustments on the face of the financial statements to show the effects of reclassifications out of accumulated other comprehensive income on the components of net income and other comprehensive income. ASU 2011-12 allows entities to continue to report reclassifications out of accumulated other comprehensive income consistent with the presentation requirements in effect before ASU No. 2011-05. All other requirements in ASU No. 2011-05 are not affected by ASU No. 2011-12. ASU 2011-12 became effective for the Company on January 1, 2012 and did not have a significant impact on the Company's financial statements.

In September 2011, the FASB issued ASU No. 2011-08, *Intangibles - Goodwill and Other (Topic 350)* (ASU 2011-08). ASU 2011-08 allows companies to waive comparing the fair value of a reporting unit to its carrying amount in assessing the recoverability of goodwill if, based on qualitative factors, it is not more likely than not that the fair value of a reporting unit is less than its carrying amount. ASU 2011-08 became effective for the Company on January 1, 2012 and did not have a significant impact on the Company's financial statements.

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Note 3 Recent Accounting and Regulatory Pronouncements (Continued)

In December 2011, the FASB issued ASU No. 2011-11, *Balance Sheet (Topic 210) Disclosures about Offsetting Assets and Liabilities* (ASU 2011-11). ASU 2011-11 amends Topic 210 to require an entity to disclose both gross and net information about financial instruments, such as sales and repurchase agreements and reverse sale and repurchase agreements and securities borrowing/lending arrangements, and derivative instruments that are eligible for offset in the statement of financial position and/or subject to a master netting arrangement or similar agreement. ASU 2011-11 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after January 1, 2013 and is not expected to have a significant impact on the Company's financial statements.

Note 4 Mergers and Acquisitions

Peoples Bancorporation Acquisition

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

The Peoples transaction was accounted for using the acquisition method of accounting and, accordingly, assets acquired, liabilities assumed and consideration exchanged were recorded at estimated fair value on the acquisition date. Fair values are preliminary and subject to refinement for up to a year after the closing date of the acquisition. The fair value of assets acquired, excluding goodwill, totaled \$491.9 million, including \$234.2 million in loans, \$175.9 million of investment securities, and \$2.9 million of identifiable intangible assets. The fair value of liabilities assumed were \$451.0 million, including \$435.1 million of deposits.

Goodwill of \$3.7 million was calculated as the excess of the consideration exchanged over the net fair value of identifiable assets acquired.

Table of Contents**Note 4 Mergers and Acquisitions (Continued)**

The following table presents the assets acquired and liabilities assumed as of April 24, 2012, as recorded by Peoples on the acquisition date and as adjusted for purchase accounting adjustments.

(Dollars in thousands)	As Recorded by Peoples	Fair Value Adjustments	As Recorded by SCBT
Assets			
Cash and cash equivalents	\$ 24,459	\$	\$ 24,459
Investment securities	176,334	(442)(a)	175,892
Loans	262,858	(28,613)(b)	234,245
Premises and equipment	10,094	3,240(c)	13,334
Intangible assets		2,930(d)	2,930
Other real estate owned and repossessed assets	13,257	(5,341)(e)	7,916
Deferred tax asset	4,702	11,669(f)	16,371
Other assets	17,588	(883)(g)	16,705
Total assets	\$ 509,292	\$ (17,440)	\$ 491,852
Liabilities			
Deposits:			
Noninterest-bearing	\$ 54,884	\$	\$ 54,884
Interest-bearing	378,781	1,405(h)	380,186
Total deposits	433,665	1,405	435,070
Other borrowings	9,542		9,542
Other liabilities	4,291	2,054(i)	6,345
Total liabilities	447,498	3,459	450,957
Net identifiable assets acquired over (under) liabilities assumed	61,794	(20,899)	40,895
Goodwill		3,654	3,654
Net assets acquired over (under) liabilities assumed	\$ 61,794	\$ (17,245)	\$ 44,549
Consideration:			
SCBT Financial Corporation common shares issued	1,002,741		
Purchase price per share of the Company's common stock	\$ 31.06		
Company common stock issued and cash exchanged for fractional shares	31,160		
Stock options converted	96		
Cash paid for TARP preferred stock	13,293		
Fair value of total consideration transferred	\$ 44,549		

Explanation of fair value adjustments

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

(b) Adjustment reflects the fair value adjustments based on the Company's evaluation of the acquired loan portfolio and excludes the allowance for loan losses recorded by Peoples Bancorporation, Inc.

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

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- (d) Adjustment reflects the recording of the core deposit intangible on the acquired deposit accounts and other intangibles for non-compete agreements.
- (e) Adjustment reflects the fair value adjustments to OREO based on the Company's evaluation of the acquired OREO portfolio.
- (f) Adjustment to record deferred tax asset related to purchase accounting adjustments at 35.8% income tax rate.
- (g) Adjustment reflects uncollectible portion of accrued interest receivable.
- (h) Adjustment arises since the rates on interest-bearing deposits are higher than rates available on similar deposits as of the acquisition date.
- (i) Adjustment reflects the incremental accrual for SERP termination, other employee related benefits, and other liabilities.

The following table provides a reconciliation of goodwill for the six months ended June 30, 2012:

(Dollars in thousands)

Balance, December 31, 2011	\$	62,888
Additions:		
Goodwill from Peoples acquisition		3,654
Balance, June 30, 2012	\$	66,542

Table of Contents**Note 5 Investment Securities**

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

(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
June 30, 2012:				
State and municipal obligations	\$ 16,567	\$ 1,176	\$	\$ 17,743
December 31, 2011:				
State and municipal obligations	\$ 16,569	\$ 1,295	\$	\$ 17,864
June 30, 2011:				
State and municipal obligations	\$ 19,100	\$ 734	\$	\$ 19,834

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

(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
June 30, 2012:				
Government-sponsored entities debt *	\$ 64,195	\$ 1,078	\$ (8)	\$ 65,265
State and municipal obligations	135,068	3,764	(369)	138,463
Mortgage-backed securities **	267,593	6,578	(49)	274,122
FHLMC preferred stock***	147	112		259
Corporate stocks	240	123		363
	\$ 467,243	\$ 11,655	\$ (426)	\$ 478,472
December 31, 2011:				
Government-sponsored entities debt *	\$ 48,464	\$ 1,142	\$ (3)	\$ 49,603
State and municipal obligations	40,780	3,208	(31)	43,957
Mortgage-backed securities **	190,204	5,111	(6)	195,309
Corporate stocks	241	85		326
	\$ 279,689	\$ 9,546	\$ (40)	\$ 289,195
June 30, 2011:				
Government-sponsored entities debt *	\$ 57,729	\$ 1,085	\$	\$ 58,814
State and municipal obligations	38,893	1,621	(137)	40,377
Mortgage-backed securities **	106,968	3,427	(19)	110,376
Corporate stocks	255	139	(5)	389
	\$ 203,845	\$ 6,272	\$ (161)	\$ 209,956

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

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

*** Securities issued by the Federal Home Loan Mortgage Corporation (FHLMC) or Freddie Mac)

Table of Contents**Note 5 Investment Securities (Continued)**

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

(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
June 30, 2012:				
Federal Reserve Bank stock	\$ 7,028	\$	\$	7,028
Federal Home Loan Bank stock	7,739			7,739
Investment in unconsolidated subsidiaries	1,332			1,332
	\$ 16,099	\$	\$	16,099
December 31, 2011:				
Federal Reserve Bank stock	\$ 7,028	\$	\$	7,028
Federal Home Loan Bank stock	9,932			9,932
Investment in unconsolidated subsidiaries	1,332			1,332
	\$ 18,292	\$	\$	18,292
June 30, 2011:				
Federal Reserve Bank stock	\$ 6,617	\$	\$	6,617
Federal Home Loan Bank stock	12,478			12,478
Investment in unconsolidated subsidiaries	1,332			1,332
	\$ 20,427	\$	\$	20,427

The Company has determined that the investment in Federal Reserve Bank stock and FHLB stock is not other than temporarily impaired as of June 30, 2012 and ultimate recoverability of the par value of these investments is probable.

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

The amortized cost and fair value of debt securities at June 30, 2012 by contractual maturity are detailed below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without prepayment penalties.

(Dollars in thousands)	Securities Held to Maturity		Securities Available for Sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	\$ 840	\$ 850	\$ 1,098	\$ 1,099
Due after one year through five years	702	712	11,967	12,127
Due after five years through ten years	8,774	9,340	62,009	64,016
Due after ten years	6,251	6,841	392,169	401,230
	\$ 16,567	\$ 17,743	\$ 467,243	\$ 478,472

Table of Contents**Note 5 Investment Securities (Continued)**

Information pertaining to the Company's securities with gross unrealized losses at June 30, 2012, December 31, 2011 and June 30, 2011, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position is as follows:

(Dollars in thousands)	Less Than Twelve Months		Twelve Months or More	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
June 30, 2012:				
Securities Held to Maturity				
State and municipal obligations	\$	\$	\$	\$
Securities Available for Sale				
Government-sponsored entities debt	\$ 8	\$ 4,986	\$	\$
State and municipal obligations	369	45,232		
Mortgage-backed securities	49	13,561		
	\$ 426	\$ 63,779	\$	\$
December 31, 2011:				
Securities Held to Maturity				
State and municipal obligations	\$	\$	\$	\$
Securities Available for Sale				
Government-sponsored entities debt	\$ 3	\$ 5,505	\$	\$
State and municipal obligations	1	420	31	724
Mortgage-backed securities	5	6,601		
	\$ 9	\$ 12,526	\$ 31	\$ 724
June 30, 2011:				
Securities Held to Maturity				
State and municipal obligations	\$	\$	\$	\$
Securities Available for Sale				
State and municipal obligations	\$ 55	\$ 3,927	\$ 82	\$ 913
Mortgage-backed securities	19	7,910		
Corporate stocks	5	20		
	\$ 79	\$ 11,857	\$ 82	\$ 913

Table of Contents**Note 6 Loans and Allowance for Loan Losses**

The following is a summary of non-acquired loans:

(Dollars in thousands)	June 30, 2012	December 31, 2011	June 30, 2011
Non-acquired loans:			
Commercial non-owner occupied real estate:			
Construction and land development	\$ 279,519	310,845	\$ 338,288
Commercial non-owner occupied	284,147	299,698	306,698
Total commercial non-owner occupied real estate	563,666	610,543	644,986
Consumer real estate:			
Consumer owner occupied	420,298	391,529	367,910
Home equity loans	257,061	264,986	263,667
Total consumer real estate	677,359	656,515	631,577
Commercial owner occupied real estate	763,338	742,890	669,223
Commercial and industrial	228,010	220,454	215,901
Other income producing property	132,193	140,693	133,152
Consumer	87,290	85,342	80,072
Other loans	29,395	14,128	30,702
Total non-acquired loans	2,481,251	2,470,565	2,405,613
Less allowance for loan losses	(47,269)	(49,367)	(48,180)
Non-acquired loans, net	\$ 2,433,982	\$ 2,421,198	\$ 2,357,433

Table of Contents**Note 6 Loans and Allowance for Loan Losses (Continued)**

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

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

(Dollars in thousands)	Loans Impaired at Acquisition	Loans Not Impaired at Acquisition	Total
June 30, 2012:			
Covered loans:			
Commercial loans greater than or equal to \$1 million-CBT	\$ 20,442	\$ 34,384	\$ 54,826
Commercial real estate	30,776	54,756	85,532
Commercial real estate construction and development	21,795	18,336	40,131
Residential real estate	42,493	67,356	109,849
Residential real estate junior lien	1,288	1,430	2,718
Home equity	513	854	1,367
Consumer	1,802	3,929	5,731
Commercial and industrial	9,916	17,928	27,844
Single pay	4,704	172	4,876
Total covered loans	\$ 133,729	\$ 199,145	\$ 332,874
Non-covered loans:			
Commercial real estate	11,937	69,065	81,002
Commercial real estate construction and development	9,068	16,516	25,584
Residential real estate	5,874	94,775	100,649
Home equity	21	3	24
Consumer	1,783	4,653	6,436
Commercial and industrial	1,357	12,132	13,489
Total non-covered loans	30,040	197,144	227,184
Total acquired loans	163,769	396,289	560,058
Less allowance for loan losses	(26,722)	(9,091)	(35,813)
Acquired loans, net	\$ 137,047	\$ 387,198	\$ 524,245
December 31, 2011:			
Covered loans:			
Commercial loans greater than or equal to \$1 million-CBT	\$ 24,073	\$ 36,756	\$ 60,829
Commercial real estate	39,685	67,780	107,465
Commercial real estate construction and development	29,528	21,425	50,953
Residential real estate	50,834	72,614	123,448
Residential real estate junior lien	1,383	3,395	4,778
Home equity	510	854	1,364
Consumer	2,669	2,427	5,096
Commercial and industrial	14,800	21,702	36,502
Single pay	3,852	208	4,060
Total covered loans	\$ 167,334	\$ 227,161	\$ 394,495
Non-covered loans:			
Commercial real estate	305	557	862

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Commercial real estate construction and development	5	47	52
Residential real estate	224	750	974
Residential real estate junior lien		186	186
Home equity	20	3	23
Consumer	2,723	77	2,800
Commercial and industrial	219	2,590	2,809
Total non-covered loans	3,496	4,210	7,706
Total acquired loans	170,830	231,371	402,201
Less allowance for loan losses	(23,875)	(7,745)	(31,620)
Acquired loans, net	\$ 146,955	\$ 223,626	\$ 370,581

Table of Contents**Note 6 Loans and Allowance for Loan Losses (Continued)**

(Dollars in thousands)	Loans Impaired at Acquisition	Loans Not Impaired at Acquisition	Total
June 30, 2011:			
Covered loans:			
Commercial loans greater than or equal to \$1 million-CBT	\$ 31,634	\$ 40,994	\$ 72,628
Commercial real estate	36,699	47,750	84,449
Commercial real estate construction and development	32,437	18,675	51,112
Residential real estate	52,877	61,424	114,301
Residential real estate junior lien	1,728	1,314	3,042
Home equity	442	928	1,370
Consumer	3,937	3,429	7,366
Commercial and industrial	12,396	17,068	29,464
Single pay	5,597	329	5,926
Total covered loans	177,747	191,911	369,658
Non-covered loans:			
Commercial real estate	335	142	477
Commercial real estate construction and development	28	10	38
Residential real estate	242	495	737
Home equity	37	2	39
Consumer	4,343	11	4,354
Commercial and industrial	297	3,741	4,038
Total non-covered loans	5,282	4,401	9,683
Total acquired loans	183,029	196,312	379,341
Less allowance for loan losses	(25,545)		(25,545)
Acquired loans, net	\$ 157,484	\$ 196,312	\$ 353,796

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

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

Table of Contents**Note 6 Loans and Allowance for Loan Losses (Continued)**

Contractual loan payments receivable, estimates of amounts not expected to be collected, other fair value adjustments and the resulting carrying values of acquired loans (impaired and non-impaired) as of June 30, 2012, December 31, 2011, and June 30, 2011 are as follows:

(Dollars in thousands)	Loans Impaired at Acquisition	Loans Not Impaired at Acquisition	Total
June 30, 2012:			
Contractual principal and interest	\$ 306,174	\$ 540,095	\$ 846,269
Non-accretable difference	(101,973)	(68,912)	(170,885)
Cash flows expected to be collected	204,201	471,183	675,384
Accretable yield	(40,432)	(74,894)	(115,326)
Carrying value	\$ 163,769	\$ 396,289	\$ 560,058
Allowance for acquired loan losses	\$ (26,722)	\$ (9,091)	\$ (35,813)
December 31, 2011:			
Contractual principal and interest	\$ 382,760	\$ 361,726	\$ 744,486
Non-accretable difference	(176,601)	(71,084)	(247,685)
Cash flows expected to be collected	206,159	290,642	496,801
Accretable yield	(35,329)	(59,271)	(94,600)
Carrying value	\$ 170,830	\$ 231,371	\$ 402,201
Allowance for acquired loan losses	\$ (23,875)	\$ (7,745)	\$ (31,620)
June 30, 2011:			
Contractual principal and interest	\$ 378,806	\$ 317,924	\$ 696,730
Non-accretable difference	(161,333)	(63,997)	(225,330)
Cash flows expected to be collected	217,473	253,927	471,400
Accretable yield	(34,444)	(57,615)	(92,059)
Carrying value	\$ 183,029	\$ 196,312	\$ 379,341
Allowance for acquired loan losses	\$ (25,545)	\$	\$ (25,545)

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

Table of Contents**Note 6 Loans and Allowance for Loan Losses (Continued)**

The unpaid principal balance for acquired loans was \$744.4 million at June 30, 2012, \$597.7 million at December 31, 2011 and \$571.8 million at June 30, 2011.

The following are changes in the carrying value of acquired loans during the six months ended June 30, 2012 and 2011:

(Dollars in thousands)	Loans Impaired at Acquisition	Loans Not Impaired at Acquisition	Total
Balance, December 31, 2011	\$ 146,955	\$ 223,626	\$ 370,581
Fair value of acquired loans	30,735	203,510	234,245
Net reductions for payments, foreclosures, and accretion	(37,796)	(38,592)	(76,388)
Change in the allowance for loan losses on acquired loans	(2,847)	(1,346)	(4,193)
Balance, June 30, 2012, net of allowance for loan losses on acquired loans	\$ 137,047	\$ 387,198	\$ 524,245
Balance, December 31, 2010	\$ 143,059	\$ 177,979	\$ 321,038
Fair value of acquired loans	54,643	72,810	127,453
Net reductions for payments, foreclosures, and accretion	(14,673)	(54,477)	(69,150)
Change in the allowance for loan losses on acquired loans	(25,545)		(25,545)
Balance, June 30, 2011, net of allowance for loan losses on acquired loans	\$ 157,484	\$ 196,312	\$ 353,796

The following are changes in the carrying amount of accretable difference for acquired impaired and non-impaired loans for the six months ended June 30, 2012 and 2011:

(Dollars in thousands)	Six Months Ended June 30, 2012	June 30, 2011
Beginning at beginning of period	\$ 94,600	\$ 44,684
Addition from the Habersham acquisition		28,115
Addition from the Peoples acquisition	34,921	
Interest income	(20,739)	(18,702)
Reclass of nonaccretable difference due to improvement in expected cash flows	16,680	42,266
Other changes, net	(10,136)	(4,304)
Balance at end of period	\$ 115,326	\$ 92,059

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

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

Table of Contents**Note 6 Loans and Allowance for Loan Losses (Continued)**

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

In determining the acquisition date fair value of purchased loans, and in subsequent accounting, the Bank 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. Management analyzes the acquired loan pools using various assessments of risk to determine and calculate an expected loss. The expected loss is derived using an estimate of a loss given default based upon the collateral type and/or detailed review by loan officers of loans greater than \$500,000, and the probability of default that is determined based upon historical data at the loan level. Trends are reviewed in terms of accrual status, past due status, and weighted-average grade of the loans within each of the accounting pools. In addition, the relationship between the change in the unpaid principal balance and change in the mark is assessed to correlate the directional consistency of the expected loss for each pool. Offsetting the impact of the provision established for acquired loans covered under FDIC loss share agreements, the receivable from the FDIC is adjusted to reflect the indemnified portion of the post-acquisition exposure with a corresponding credit to the provision for loan losses. (For further discussion of the Company's allowance for loan losses on acquired loans, see Note 2 Summary of Significant Accounting Policies.)

An aggregated analysis of the changes in allowance for loan losses for the three and six months ended June 30, 2012 and 2011 is as follows:

(Dollars in thousands)	Non-acquired Loans	Acquired Loans	Total
Three months ended June 30, 2012:			
Balance at beginning of period	\$ 47,607	\$ 34,355	\$ 81,962
Loans charged-off	(5,555)		(5,555)
Recoveries of loans previously charged off	825		825
Net charge-offs	(4,730)		(4,730)
Provision for loan losses	4,392	1,458	5,850
Benefit attributable to FDIC loss share agreements		(1,208)	(1,208)
Total provision for loan losses charged to operations	4,392	250	4,642
Provision for loan losses recorded through the FDIC loss share receivable		1,208	1,208
Balance at end of period	\$ 47,269	\$ 35,813	\$ 83,082
Three months ended June 30, 2011:			
Balance at beginning of period	\$ 48,164	\$ 25,833	\$ 73,997
Loans charged-off	(4,770)		(4,770)

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Recoveries of loans previously charged off	557		557
Net charge-offs	(4,213)		(4,213)
Provision for loan losses	4,229	(288)	3,941
Benefit attributable to FDIC loss share agreements		274	274
Total provision for loan losses charged to operations	4,229	(14)	4,215
Provision for loan losses recorded through the FDIC loss share receivable		(274)	(274)
Balance at end of period	\$ 48,180	\$ 25,545	\$ 73,725

Table of Contents**Note 6 Loans and Allowance for Loan Losses (Continued)**

(Dollars in thousands)	Non-acquired Loans	Acquired Loans	Total
Six months ended June 30, 2012:			
Balance at beginning of period	\$ 49,367	\$ 31,620	\$ 80,987
Loans charged-off	(11,253)		(11,253)
Recoveries of loans previously charged off	2,465		2,465
Net charge-offs	(8,788)		(8,788)
Provision for loan losses	6,690	4,193	10,883
Benefit attributable to FDIC loss share agreements		(3,518)	(3,518)
Total provision for loan losses charged to operations	6,690	675	7,365
Provision for loan losses recorded through the FDIC loss share receivable		3,518	3,518
Balance at end of period	\$ 47,269	\$ 35,813	\$ 83,082
Six months ended June 30, 2011:			
Balance at beginning of period	\$ 47,512	\$	47,512
Loans charged-off	(14,092)		(14,092)
Recoveries of loans previously charged off	1,182		1,182
Net charge-offs	(12,910)		(12,910)
Provision for loan losses	13,578		