SCBT FINANCIAL CORP
Form 10-K
March 17, 2008

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended: **December 31, 2007**

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)
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℠

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 twelve (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 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 definition 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 $314,977,000 based on the closing sale price of $36.40 per share on June 29, 2007. 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 4, 2008 was 10,185,143.

Documents Incorporated by Reference

Portions of the Registrant's Proxy Statement for its 2008 Annual Meeting of Shareholders are incorporated by reference into Part III, Items 10-14.

SCBT Financial Corporation

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(1) All or portions of this item are incorporated by reference to the Registrant's Proxy Statement for its 2008 Annual Meeting of Shareholders.

Forward-Looking Statements

This Report contains statements which constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements are based on many assumptions and estimates and are not guarantees of future performance. Our actual results may differ materially from those anticipated in any forward-looking statements, as they will depend on many factors about which we are unsure, including many factors which are beyond our control. The words "may," "would," "could," "will," "expect," "anticipate," "believe," "intend," "plan," and "estimate," as well as similar expressions, are meant to identify such forward-looking statements. Potential risks and uncertainties include, but are not limited to those described below under "Risk Factors."

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 subsidiaries: South Carolina Bank and Trust, N.A. and South Carolina Bank and Trust of the Piedmont, N.A., both national banks that opened for business in 1932 and 1996, respectively. On November 30, 2007, we acquired our third banking subsidiary, The Scottish Bank, N.A. Our common stock trades on The NASDAQ Global Select Market^{SM} under the ticker symbol "SCBT."

SCBT Financial Corporation is a legal entity separate and distinct from our subsidiaries. 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 Financial Corporation's operating revenues and net income are derived primarily from cash dividends received from its bank subsidiaries.

Our subsidiaries provide a full range of retail and commercial banking services, mortgage lending services, trust and investment services, and consumer finance loans through 50 financial centers in 16 South Carolina counties and Mecklenburg County of North Carolina, and have served the Carolinas for more than seventy-three years. At December 31, 2007, the Corporation had approximately $2.6 billion in assets, $2.1 billion in loans, $1.9 billion in deposits, $215.1 million in shareholders' equity, and a market capitalization of $321.8 million.

We began operating in 1934 in Orangeburg, South Carolina and have maintained our ability to provide superior local 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.

We have continued to expand our business in South Carolina and North Carolina, as highlighted below:

November 2007 acquired TSB Financial Corporation, Inc. ("TSB") and its wholly-owned subsidiary, The Scottish Bank. On December 3, 2007, we converted The Scottish Bank from a North Carolina state-chartered bank to a national association. The Scottish Bank, N.A. has four full-service branch locations and a loan production office ("LPO") in the following Charlotte, North Carolina market areas: SouthPark, Myers Park, Cotswold, Mint Hill, and Cornelius (the LPO).

October 2007 we merged The Mortgage Banc, Inc. into our lead banking subsidiary, South Carolina Bank and Trust.

August 2007 opened a full-service branch in Lexington, South Carolina to replace the limited-service branch.

April 2007 opened a full-service branch at 46 Broad Street in Charleston, South Carolina to replace a limited-service branch at another Charleston location.

March 2007 replaced a loan production office in Myrtle Beach, South Carolina with a full-service branch in a banking location purchased in 2006.

October 2006 opened a limited-service branch in Irmo, South Carolina.

June 2006 opened our Indian Land full-service branch in Fort Mill, South Carolina as part of South Carolina Bank and Trust of the Piedmont. The branch was converted from a loan production office. We also opened a limited-service branch in Lexington, South Carolina.

April 2006 opened a loan production office in Daniel Island, South Carolina. Also in April, we converted our Devine Mortgage location to a full-service branch on Forest Drive in Columbia, South Carolina.

March 2006 merged SunBank, N.A. into our lead bank subsidiary, South Carolina Bank and Trust.

February 2006 opened a loan production office in Charleston, South Carolina as part of South Carolina Bank and Trust and converted the location to a limited-service branch in 2006. We moved the South Carolina Bank and Trust of the Piedmont loan production office in Fort Mill, South Carolina to a full-service branch location.

November 2005 expanded our footprint farther up the South Carolina coast with the acquisition of Sun Bancshares, Inc. and its subsidiary, SunBank. The acquisition provided us with two additional branches in Murrells Inlet and Georgetown, South Carolina. SunBank's third property was a loan production office located in Myrtle Beach, South Carolina.

July 2005 formed SCBT Capital Trust III for the purpose of issuing an aggregate of $20 million of trust preferred securities.

May 2005 purchased Devine Mortgage, a small South Carolina mortgage originator.

April 2005 formed SCBT Capital Trust I and SCBT Capital Trust II for the purpose of issuing an aggregate of $20 million of trust preferred securities.

April 2005 continued to expand in the western portion of South Carolina with our acquisition of New Commerce BanCorp and merged its subsidiary, New Commerce Bank, into our lead subsidiary bank. The acquisition provided us with two new branches in Simpsonville and Greenville, South Carolina. Both branches are located in one of the fastest growing markets in the state.

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.

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 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 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, and Corporate Governance & Nominating Committees of our Board of Directors. These materials are available in a printed format 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 Securities Exchange Act of 1934 are also available through our website. The information on our website is not incorporated by reference into this report.

Territory Served and Competition

We serve customers through our subsidiary banks located in the Carolinas: South Carolina Bank and Trust, South Carolina Bank and Trust of the Piedmont, and The Scottish Bank. Through our lead bank, South Carolina Bank and Trust, we conduct our business from forty financial centers in fourteen South Carolina counties. We conduct our Piedmont business from six financial centers in two South Carolina counties. We conduct our business from four financial centers in Mecklenburg County of North Carolina.

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 super-regional, 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. 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 the competitive interest rates on deposit accounts, the competitive interest rates charged on loans and other credit, and reasonable service charges. 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, we believe that SCBT has been able to compete successfully with our competitors, regardless of their size. We do this by emphasizing customer service and by providing a wide variety of services.

Employees

As of December 31, 2007, our subsidiaries had 701 full-time equivalent employees compared to 634 as of the same date in 2006. 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 company 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 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.

General

The current regulatory environment for financial institutions includes substantial enforcement activity by the federal banking agencies, the U.S. Department of Justice, the Securities and Exchange Commission, 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 banks are organized as national banking associations. They are subject to regulation, supervision, and examination by the Office of the Comptroller of the Currency (the "OCC"). In addition, SCBT and our banks are subject to regulation (and in certain cases examination) by the Federal Deposit Insurance Corporation (the "FDIC"), other federal regulatory agencies, the South Carolina State Board of Financial Institutions (the "State Board") and the North Carolina Office of the Commissioner of Banks. The following discussion summarizes certain aspects of banking and other laws and regulations that affect SCBT and its subsidiaries.

Under the Bank Holding Company Act (the "BHC Act"), our activities and those of our subsidiaries are limited to banking, managing or controlling banks, furnishing services to or performing services for our subsidiaries, 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 Graham-Leach-Bliley Act amended a number of federal banking laws affecting SCBT and our banks. In particular, the Graham-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 Graham-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 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. We believe that the foregoing legislation has increased takeover activity of South Carolina financial institutions by out-of-state financial institutions.

North Carolina has 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 may 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 impose greater limits on de novo branching by out-of-state banks, this provides a limited barrier of entry into the North Carolina banking market, which protects us from a segment of potential competition. However, for those states that have also opted-in to the interstate branching legislation, our subsidiary The Scottish Bank, N.A., which has its home office in North Carolina, could establish a de novo branch in those states with prior OCC approval.

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 the Banks.

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.

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"). 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. As of

December 31, 2007 and 2006, our subsidiary banks had the following leverage ratios and total risk-based capital:

	December 31,	
(In percent)	**2007**	**2006**
Tier 1 Leverage Ratios		
SCBT Financial Corporation	**8.42**	8.11
South Carolina Bank and Trust	**7.75**	8.02
South Carolina Bank and Trust of the Piedmont	**7.53**	7.56
The Scottish Bank	**9.66**	n/a
Total Risk-Based Capital		
SCBT Financial Corporation	**10.89**	11.36
South Carolina Bank and Trust	**10.76**	11.18
South Carolina Bank and Trust of the Piedmont	**10.71**	11.12
The Scottish Bank	**10.62**	n/a

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 that 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, a "well capitalized" institution must have a Tier 1 capital ratio of at least 6%, a total risk-based capital ratio of at least 10%, a Tier 1 leverage ratio of at least 5% and not be subject to a capital directive order. An "adequately capitalized" institution must have a Tier 1 capital ratio of at least 4%, a total risk-based capital ratio of a least 8%, and a Tier 1 leverage ratio of at least 4% (or 3% in some cases). Under these guidelines, each 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 amendment) we must incorporate a measure for market risk in our respective regulatory capital calculations effective for reporting periods after January 1, 1998.

Payment of Dividends

SCBT is a legal entity separate and distinct from its subsidiaries. Funds for cash distributions to our shareholders are derived primarily from dividends received from our bank subsidiaries. Each of our banks is subject to various general regulatory policies and requirements relating to the payment of dividends. Any restriction on the ability of our banks 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. 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 banks 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 subsidiaries is further subject to the prior claims of creditors of SCBT's subsidiaries.

Certain Transactions by SCBT and its Affiliates

Various legal limitations place restrictions on the ability of the banks to lend or otherwise supply funds to SCBT and its affiliates. 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 all affiliates cannot in the aggregate exceed 20% of a bank's capital and surplus. All covered and exempt transactions between a bank and its affiliates 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 affiliates. 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 the bank are insured by the Deposit Insurance Fund as administered by the FDIC, up to the applicable limits established by law generally $100,000 per accountholder and $250,000 for certain retirement accountholders. As FDIC-insured institutions, our banks are subject to insurance assessments imposed by the FDIC. Under current law, the insurance assessment to be paid by FDIC-insured institutions is as specified in a schedule required to be issued by the FDIC that specifies, at semi-annual intervals, target reserve ratios designed to increase the FDIC insurance fund's reserve ratio to 1.25% of estimated insured deposits (or such higher ratio as the FDIC may determine in accordance with the statute) in 15 years. Further, the FDIC is authorized to impose one or more special assessments in any amount deemed necessary to enable repayment of amounts borrowed by the FDIC from the United States Department of the Treasury. The actual assessment to be paid by each FDIC-insured institution is based on the institution's assessment risk classification, which is determined based on whether the institution is considered "well capitalized," "adequately capitalized" or "undercapitalized," as such terms have been defined in applicable federal regulations, and whether such institution is considered by its supervisory agency to be financially sound or to have supervisory concerns (see "Capital Adequacy" above). As a result of the current provisions of federal law, the assessment rates on deposits could increase over present levels. Based on the current financial condition and capital levels of our banks, we do not expect that the current FDIC risk-based assessment schedule will have a material adverse effect on the earnings of our banks in 2008.

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.

Other Laws and Regulations

Interest and certain other charges collected or contracted for by our banks are subject to state usury laws and certain federal laws concerning interest rates. Our banks' 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 banks are 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 and South Carolina 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 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 banks' 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.

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 with SCBT, past five year employment history and terms of office as of March 1, 2008, are as follows:

Name (age)	Position with SCBT and Five Year History	With SCBT Since
Robert R. Hill, Jr. (41)	President, Chief Executive Officer and Director President and Chief Operating Officer of South Carolina Bank and Trust (2004 1999)	1995
John C. Pollok (42)	Senior Executive Vice President, Chief Financial Officer and Chief Operating Officer	1996
Joe E. Burns (53)	Senior Executive Vice President and Chief Credit Officer	2000
Richard C. Mathis (57)	Executive Vice President and Chief Risk Officer Chief Financial Officer (2007 2000)	2000
John F. Windley (55)	President, South Carolina Bank and Trust Regional President, South Carolina Bank and Trust (2006 2002)	2002
Thomas S. Camp (56)	President and Chief Executive Officer, South Carolina Bank and Trust of the Piedmont	1998
Dane H. Murray (58)	Senior Executive Vice President and Division Head of Lowcountry and Orangeburg Regions	1971

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.

Item 1A. Risk Factors

Our business operations may be adversely affected by certain risk factors 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 or those that we believe are currently immaterial to our business operations. In such cases, you could lose part or all of your investment.

General Business Risks

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 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.

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 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 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.

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 assure 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, 2007, we had approximately 12,000 loans secured by real estate with an average loan balance of approximately $129,000. 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. 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.

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 loan portfolio is secured by real estate. As of December 31, 2007, approximately 81.3% 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. A weakening of the real estate market in our primary market area could result in an increase in the number of borrowers who default on their loans and a reduction in the value of the collateral securing their loans, which in turn could have an adverse effect on our profitability and asset quality. If we are required to liquidate the collateral securing a loan to satisfy the debt during a period of reduced real estate values, our earnings and capital could be adversely affected. Acts of nature, including hurricanes, tornados, earthquakes, fires and floods, which may cause uninsured damage and other loss of value to real estate that secures these loans, may also negatively impact our financial condition.

Our business is predominately in two states, South Carolina, and the Mecklenburg County of North Carolina; therefore, adverse economic conditions in South Carolina and this North Carolina County could negatively impact results from operations and financial condition.

Because of our concentration of business in the same geographical region, adverse economic conditions in that particular 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.

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 firms are replacing many smaller and more local banks and firms. These larger firms hold a large accumulation of assets. These larger institutions have significantly greater resources and a wider geographic presence or greater accessibility. In some instances, these banks 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 grown 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.

We are exposed to the possibility of technology failure.

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.

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.

We are exposed to a need for additional capital resources for the future and the fact that 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. We cannot provide assurance that such financing will be available to us on acceptable terms or at all.

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 and limit our ability to receive dividends from our bank subsidiaries.

We are subject to Federal Reserve Board regulation. Our banks are subject to extensive regulation, supervision, and examination by their primary federal regulator, the Office of the Comptroller of the Currency ("OCC"), and by the Federal Deposit Insurance Corporation ("FDIC"), the regulating authority that insures customer deposits. Also, as a member of the Federal Home Loan Bank ("FHLB"), our banks 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. Our banks' activities are also regulated under consumer protection laws applicable to our lending, deposit, and other activities. A sufficient claim against our subsidiaries under these laws could have a material adverse effect on our results of operations.

We are exposed to 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, and the General Assembly of the State of North Carolina. The agencies regulating the financial services industry also periodically adopt changes to their regulations. For example, regulation of government-sponsored entities has been receiving significant attention recently. It is possible that one or more legislative proposals may be adopted or regulatory changes may be made that would have an adverse effect on our business.

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.

We expect to 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.

Other Risk Factors

We may decide to make future acquisitions, which could dilute current shareholders' stock ownership and we may become more susceptible to adverse economic events.

In accordance with our strategic plan, we continually evaluate opportunities to acquire other banks and/or branch locations to expand SCBT. As a result, we may be involved in negotiations or discussions that, if they were to result in a transaction, could have a material effect on our operating results and financial condition, including short and long-term liquidity.

Our acquisition activities could be material to SCBT. For example, we could issue additional shares of common stock in a purchase transaction, which could dilute current shareholders' ownership interest in SCBT. These activities could require us to use a substantial amount of cash, other liquid assets, and/or incur debt. In those events, we could become more susceptible to economic downturns and competitive pressures.

We may be exposed to difficulties in combining the operations of acquired entities such as TSB 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. Inherent uncertainties exist in integrating the operations of an acquired entity. 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, if at all.

Our stock price may be volatile.

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 could adversely affect the price of SCBT's common stock, and the current market price may not be indicative of future market prices.

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 accounting principles generally accepted in the United States of America ("US 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.

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 South Carolina Bank and Trust is also located in this 57,000 square-foot building. The main offices of South Carolina Bank and Trust 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. South Carolina Bank and Trust also owns twenty-eight other properties and leases twenty-four properties, all of which are used, substantially, as branch locations or for housing other operational units.

South Carolina Bank and Trust of the Piedmont owns a 12,000 square foot office building that serves as its main office, located at 1127 Ebenezer Road, Rock Hill, South Carolina. The bank owns three additional properties and leases three others, all of which are used as branches.

The Scottish Bank leases a 7,000 square foot office building that serves as its main office, located at 6525 Morrison Boulevard, Charlotte, North Carolina. The bank owns one property and leases four others, which are used as branches and a loan production office.

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

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 our ordinary course of business as of December 31, 2007 and the date of this Form 10-K.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of shareholders in the fourth quarter of 2007.

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:

	2007	2006	2005	2004	2003
Stock Performance					
Dividends per share	**$ 0.68**	$ 0.68	$ 0.68	$ 0.65	$ 0.63
Dividend payout ratio	**29.17%**	30.88%	34.29%	36.66%	33.98%
Dividend yield (based on the average of the high and low for the year)	**1.94%**	1.81%	2.14%	2.06%	2.47%
Price/earnings ratio (based on year-end stock price and diluted earnings per share)	**13.65x**	19.39x	17.29x	20.49x	16.49x
Price/book ratio (end of year)	**1.50x**	2.25x	1.95x	2.27x	2.05x
Common Stock Statistics					
Stock price ranges:					
High	**$ 41.84**	$ 42.93	$ 34.94	$ 37.61	$ 30.71
Low	**28.29**	32.38	28.50	25.57	20.38
Close	**31.67**	41.73	33.42	33.57	28.58
Volume traded on exchanges	**4,359,700**	2,510,900	2,202,700	1,711,500	1,436,000
As a percentage of average shares outstanding	**42.91%**	28.89%	27.09%	21.23%	17.81%
Earnings per share, basic	**$ 2.33**	$ 2.17	$ 1.95	$ 1.66	$ 1.74
Earnings per share, diluted	**2.32**	2.15	1.93	1.64	1.73
Book value per share	**21.17**	18.57	17.17	14.77	13.91

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 December 20, 2004 and a 5% common stock dividend paid to shareholders of record on March 9, 2007.

Quarterly Common Stock Price Ranges and Dividends

	2007			2006		
Quarter	**High**	**Low**	**Dividend**	**High**	**Low**	**Dividend**
1st	**$ 40.84**	**$ 34.99**	**$ 0.17**	$ 36.08	$ 33.00	$ 0.17
2nd	**38.00**	**35.18**	**0.17**	35.70	32.38	0.17
3rd	**37.25**	**28.29**	**0.17**	39.94	32.50	0.17
4th	**37.65**	**28.86**	**0.17**	42.93	36.20	0.17

As of March 4, 2008, we had issued and outstanding 10,185,143 shares of common stock which were held by approximately 5,450 shareholders of record. Our common stock trades on The NASDAQ Global Select Market[SM] under the symbol "SCBT."

We pay cash dividends to SCBT shareholders from our assets, which are provided primarily by dividends paid to SCBT by our bank subsidiaries. Certain restrictions exist regarding the ability of our subsidiaries 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 banks' 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, 2007, approximately $35.9 million of our banks' retained earnings were available for distribution to SCBT as dividends without prior regulatory approval. For the year ended December 31, 2007, our banks paid dividends of approximately $16.2 million to SCBT. This amount includes $10.0 million in dividends paid upstream by South Carolina Bank and Trust, N.A. to SCBT as a special dividend to provide cash for the acquisition and payment of merger costs related to the acquisition of TSB. Excluding the special dividend, we anticipate that we will continue to pay comparable cash dividends from the bank subsidiaries to SCBT in the future.

(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 2007:

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				147,872
December 1 December 31				147,872
Total				147,872

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Item 6. Selected Financial and Quantitative Data

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

(Dollars in thousands)	2007	2006	2005	2004	2003
Financial Data					
Assets	**$ 2,597,183**	$ 2,178,413	$ 1,925,856	$ 1,436,977	$ 1,197,692
Loans, net of unearned income*	**2,083,047**	1,760,830	1,535,901	1,153,230	938,760
Investment securities	**258,509**	210,391	182,744	165,446	152,009
Deposits	**1,927,889**	1,706,715	1,473,289	1,171,313	947,399
Nondeposit borrowings	**440,046**	293,521	294,420	141,136	133,017
Shareholders' equity	**215,065**	161,888	148,403	118,798	112,349
Number of locations	**50**	45	41	34	32
Full-time equivalent employees	**701**	634	590	513	514
Number of common shares outstanding	**10,160,432**	8,719,146	8,644,883	7,657,094	7,690,186
Selected Ratios					
Return on average equity	**12.42%**	12.72%	13.19%	12.20%	13.72%
Return on average assets	**0.95%**	0.97%	1.00%	1.05%	1.23%
Average equity as a percentage of average assets	**7.64%**	7.59%	7.56%	8.65%	9.00%
Asset Quality Ratios					
Allowance for loan losses to period end loans	**1.28%**	1.29%	1.30%	1.25%	1.25%
Allowance for loan losses to period end nonperforming loans	**419.22%**	492.14%	468.74%	442.64%	173.30%
Nonperforming assets to period end loans and OREO	**0.33%**	0.30%	0.32%	0.43%	0.87%
Nonperforming assets to period end total assets	**0.27%**	0.24%	0.24%	0.35%	0.88%
Net charge-offs to average loans	**0.13%**	0.16%	0.11%	0.15%	0.19%

*
Excludes loans held for sale.

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

(Dollars in thousands, except per share)	2007	2006	2005	2004	2003
Summary of Operations					
Interest income	**$ 149,199**	$ 127,808	$ 90,568	$ 65,576	$ 62,909
Interest expense	**68,522**	54,281	28,710	14,643	14,622
Net interest income	**80,677**	73,527	61,858	50,933	48,287
Provision for loan losses	**4,384**	5,268	4,907	4,332	2,345
Net interest income after provision for loan losses	**76,293**	68,259	56,951	46,601	45,942
Noninterest income	**29,759**	26,111	23,653	22,650	22,915
Noninterest expense	**73,802**	64,281	56,126	48,798	46,770
Income before provision for income taxes	**32,250**	30,089	24,478	20,453	22,087
Provision for income taxes	**10,685**	10,284	7,823	6,437	7,301
Net income	**$ 21,565**	$ 19,805	$ 16,655	$ 14,016	$ 14,786
Per Common Share					
Net income, basic	**$ 2.33**	$ 2.17	$ 1.95	$ 1.66	$ 1.74
Net income, diluted	**2.32**	2.15	1.93	1.64	1.73
Book value	**21.17**	18.57	17.17	14.77	13.91
Cash dividends	**0.68**	0.68	0.68	0.65	0.63
Dividend payout ratio	**29.17%**	30.88%	34.29%	36.66%	33.98%

In reference to the table above, net income per share data have been retroactively adjusted to give effect to a 5% common stock dividend paid to shareholders of record on December 20, 2004 and a 5% common stock dividend paid to shareholders of record on March 9, 2007.

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

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") describes SCBT Financial Corporation and its subsidiaries' results of operations for the year ended December 31, 2007 as compared to the year ended December 31, 2006 and also analyzes our financial condition as of December 31, 2007 as compared to December 31, 2006. 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 statistical information also included in this report.

Overview

We continued to achieve strong results and maintain sound asset quality during 2007 despite a significantly more difficult bank operating environment. We grew consolidated net income to $21.6 million and continued to have solid asset growth throughout our bank subsidiaries. Diluted earnings per share increased 7.9% during 2007. Our balance sheet growth in 2007 reflected organic growth of our banks and the acquisition of TSB Financial Corporation ("TSB"). We experienced an 18.3% increase in total loans net of unearned income and a 13.0% increase in total deposits in 2007. We grew total assets by 19.2% during 2007. On December 1, 2007, TSB had total assets of $222.2 million (including purchase accounting related intangibles), which increased our total assets at such date by 9.6%. The acquisition of TSB added $154.4 million in loans, net of allowance for loan losses, $30.5 million in investment securities and $168.8 million in deposits, which increased our loans, investment securities and deposits at the closing date by 8.3%, 13.1% and 9.5%, respectively.

Our net interest income continued to increase throughout 2007, with growth in loan balances which offset the decline in interest rates. We ended the year with $80.7 million in net interest income, a 9.7% increase from 2006. The decrease in our provision for loan losses to $4.4 million from $5.3 million in 2006 reflects strong asset quality throughout all of 2007. Our net charge offs of average loans were 0.13% compared to 0.16% during 2006. Nonperforming assets were 0.33% of total loans and other real estate owned compared to 0.30% for 2006. We experienced our strongest organic loan growth during the year in the fourth quarter of 2007. Our credit quality remained very sound throughout all of 2007. Other real estate owned, or OREO, decreased slightly to $490,000 at year end 2007 compared to $597,000 at the end of 2006. The amount of OREO remains at a low level.

Our noninterest income increased during 2007, resulting from higher service charges, secondary market mortgage fees, bankcard fees, and investment services. We were very successful in opening 18,983 new checking accounts in 2007. Higher salaries and employee benefits contributed to higher noninterest expense during 2007, a by-product of our expanded footprint in South Carolina and North Carolina. During 2007, we purchased TSB and incurred merger related expenses which drove up our efficiency ratio to 66.05% at December 31, 2007 compared to 63.80% at December 31, 2006. We are focused on lowering our efficiency ratio.

Our banks, South Carolina Bank and Trust, South Carolina Bank and Trust of the Piedmont, and The Scottish Bank, continue to be well capitalized.

At December 31, 2007, we had $2.6 billion in assets and 701 full-time equivalent employees. Through our banking subsidiaries 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.

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.

The allowance for loan losses reflects the estimated losses that will result from the inability of our subsidiary banks' borrowers to make required loan payments. In determining an appropriate level for the allowance, we identify portions applicable to specific loans as well as providing amounts that are not identified with any specific loan but are derived with reference to actual loss experience, loan types, loan volumes, economic conditions, and industry standards. Changes in these factors may cause our estimate of the allowance to increase or decrease and result in adjustments to the provision for loan losses. See "Loan Loss Provision" in this MD&A and "Allowance for Loan Losses" in Note 1 to the audited consolidated financial statements for further detailed descriptions of our estimation process and methodology related to the allowance for loan losses.

Core deposit premium costs, included in other assets in the consolidated balance sheets, consist of costs that resulted from the acquisition of deposits from other commercial banks. Core deposit premium costs 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. 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 is not amortized, but is evaluated annually for impairment.

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

We grew consolidated net income by $1.8 million for the year ended December 31, 2007 compared to the year ended December 31, 2006. Below are key highlights of our results of operations during 2007:

- Consolidated net income increased 8.9% to $21.6 million in 2007 compared with $19.8 million in 2006 and $16.7 million in 2005, which reflects an increase of 18.9% in 2006 compared to 2005.

- Basic earnings per share increased 7.1% to $2.33 in 2007 compared with $2.17 in 2006 and $1.95 in 2005.

- Diluted earnings per share increased 7.9% to $2.32 in 2007 compared with $2.15 in 2006 and $1.93 in 2005.

- Book value per common share was $21.17 at the end of 2007, an increase from $18.57 at the end of 2006 and $17.17 at the end of 2005.

- Return on average assets decreased slightly to 0.95% in 2007, compared with 0.97% in 2006 and 1.00% in 2005. Our return on average assets was affected by a large increase in total assets and net interest margin compression for the year ended December 31, 2007 compared to December 31, 2006.

- Return on average shareholders' equity decreased to 12.42% in 2007, compared with 12.72% in 2006 and 13.19% in 2005. The decrease reflected the impact of the acquisition of TSB, which increased average shareholders' equity to a greater degree than it increased net earnings in 2007.

Per share data above have been retroactively adjusted to give effect to a 5% stock dividend paid to shareholders of record on March 9, 2007.

Growth in interest-earning assets and an increase in average yield drove total interest income to increase by $21.4 million, or 16.7%, during 2007. For the year ended December 31, 2007, total interest income was $149.2 million compared to $127.8 million in 2006, which reflects an increase of 41.1% in 2006 from $90.6 million in 2005. The increase was volume driven related to strong loan growth, mainly in commercial real estate loans during 2006.

Higher volume and rates on interest-bearing liabilities drove total interest expense higher by $14.2 million, or 26.2%, during 2007. For the year ended December 31, 2007, total interest expense was $68.5 million compared to $54.3 million in 2006 and $28.7 million in 2005. The increase resulted primarily from the rising interest rate environment and growth in certificate of deposit products and the increased use of federal funds purchased during most of 2007.

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 2007, 2006 and 2005. During 2007, 2006 and 2005, we redeemed 2,474, 13,149 and 8,467, respectively, of SCBT shares from officers at an average cost of $37.40, $37.23 and $30.28, respectively, under an approved program designed to facilitate stock option exercises or tax payments on vesting restricted stock under SCBT's stock incentive plans.

In the table below, we have reported our results of operations by quarter for the years ended December 31, 2007 and 2006.

Table 1 Quarterly Results of Operations (unaudited)

	2007 Quarters				2006 Quarters			
(Dollars in thousands)	**Fourth**	**Third**	**Second**	**First**	**Fourth**	**Third**	**Second**	**First**
Interest income	$ 39,205	$ 37,867	$ 36,728	$ 35,399	$ 34,509	$ 33,144	$ 31,314	$ 28,841
Interest expense	17,613	17,379	16,964	16,566	15,678	14,307	12,829	11,467
Net interest income	21,592	20,488	19,764	18,833	18,831	18,837	18,485	17,374
Provision for loan losses	1,641	1,161	800	782	1,552	1,048	1,522	1,146
Noninterest income	6,997	7,680	7,796	7,286	6,599	6,827	6,641	6,044
Noninterest expense	19,324	18,399	18,356	17,723	16,585	16,670	15,657	15,369
Income before income taxes	7,624	8,608	8,404	7,614	7,293	7,946	7,947	6,903
Income taxes	2,482	2,966	2,833	2,404	2,535	2,686	2,946	2,117
Net income	$ 5,142	$ 5,642	$ 5,571	$ 5,210	$ 4,758	$ 5,260	$ 5,001	$ 4,786

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 rates 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.

The Federal Reserve lowered short-term interest rates 100 basis points in the latter part of 2007 and maintained a 4.25% targeted Fed funds rate as of December 31, 2007. We, like many other financial institutions, relied more heavily on higher cost certificates of deposit balances for funding during the first half of 2007. However, during the latter part of 2007 we reduced deposit rates in step with the reduction in the short-term interest rates and relied on other sources of funds (e.g., fed funds purchased) to fund loan growth. The decrease in our net interest margin reflects these factors as interest rates on our average interest-bearing liabilities adjusted upward more quickly than yields on interest-earning assets during the first half of 2007. While in 2007 we experienced slower growth in total loans, the largest component of interest-earning assets, this growth continued to sustain higher net interest income for the year ended December 31, 2007.

Net interest income highlighted for the year ended December 31, 2007:

- Net interest income increased by $7.2 million, or 9.7%, to $80.7 million during 2007.
- Higher 2007 net interest income was mostly volume related as total average interest-earning assets increased by $215.5 million, or 11.4%, during 2007.
- An increase in loans was the largest contributor to volume increase. The increase in loans accounted for 82.4% of the growth in the average balance of total interest-earning assets for the year ended December 31, 2007.
- Decrease of 13 basis points in net interest spread offset interest-earning asset growth during 2007.
- Non-TE (non-taxable equivalent) net interest margin decreased 5 basis points to 3.82% vs. 3.87% in 2006.
- Net interest margin (taxable equivalent) decreased 6 basis points to 3.85% during 2007.
- Interest-free funds favorably impacted net interest margin by 57 basis points.

Net interest income highlighted for the year ended December 31, 2006:

- Net interest income increased by $11.7 million, or 18.9%, to $73.5 million during 2006.
- Higher 2006 net interest income was volume related as total average interest-earning assets increased by $347.9 million, or 22.4%, during 2006.
- An increase in loans was the largest contributor to volume increase.
- Decrease of 26 basis points in net interest spread significantly offset our strong interest-earning asset growth during 2006.
- Non-TE (non-taxable equivalent) net interest margin decreased 12 basis points to 3.87%.
- Net interest margin (taxable equivalent) decreased 13 basis points to 3.91%.
- Interest-free funds favorably impacted net interest margin by 50 basis points.

Net interest income highlighted for the year ended December 31, 2005:

Net interest income increased by $10.9 million, or 21.5%, to $61.9 million during 2005.

Higher 2005 net interest income was volume related as total average interest-earning assets increased by $310.0 million, or 25.0%, during 2005.

Decrease of 19 basis points in net interest spread significantly offset the impact of strong interest-earning asset growth.

Non-TE net interest margin decreased 12 basis points to 3.99%.

Net interest margin (taxable equivalent) decreased 15 basis points to 4.04%.

Interest-free funds favorably impacted net interest margin by 36 basis points.

Table 2 Volume and Rate Variance Analysis

(Dollars in thousands)	2007 Compared to 2006 Changes Due to Increase (Decrease) In			2006 Compared to 2005 Changes Due to Increase (Decrease) In		
	Volume(1)	Rate(1)	Total	Volume(1)	Rate(1)	Total
Interest income on:						
Loans(2)	$ 12,447	$ 6,330	$ 18,777	$ 20,489	$ 14,477	$ 34,966
Investments:						
Taxable	1,066	699	1,765	1,439	950	2,389
Tax exempt(3)	114	23	137	(140)	88	(52)
Funds sold	635	73	708	(266)	375	109
Interest-earning deposits with banks	(4)	8	4	(259)	87	(172)
Total interest income	14,258	7,133	21,391	21,263	15,977	37,240
Interest expense on:						
Deposits						
Interest-bearing transaction accounts	(4)	304	300	76	769	845
Savings	860	1,723	2,583	406	2,829	3,235
Certificates of deposit	4,774	4,670	9,444	5,950	9,654	15,604
Funds purchased	2,422	682	3,104	632	2,413	3,045
Notes payable	(1,379)	189	(1,190)	2,413	429	2,842
Total interest expense	6,673	7,568	14,241	9,477	16,094	25,571
Net interest income	$ 7,585	$ (435)	$ 7,150	$ 11,786	$ (117)	$ 11,669

(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.

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

	Years Ended December 31,								
	2007			2006			2005		
(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									
Loans, net of unearned income	$ 1,844,944	$ 135,608	7.35%	$ 1,667,312	$ 116,831	7.01%	$ 1,333,554	$ 81,865	6.14%
Investment securities									
Taxable	204,035	10,316	5.06%	181,426	8,551	4.71%	147,071	6,162	4.19%
Tax exempt	26,386	1,302	4.93%	24,031	1,165	4.85%	27,164	1,217	4.48%
Funds sold	34,631	1,766	5.10%	21,647	1,058	4.89%	30,056	949	3.16%
Interest-earning deposits with banks	3,829	207	5.41%	3,899	203	5.21%	12,568	375	2.98%
Total interest-earning assets	2,113,825	149,199	7.06%	1,898,315	127,808	6.73%	1,550,413	90,568	5.84%
Cash and other assets	181,988			174,438			137,299		
Less, allowance for loan losses	(23,400)			(21,135)			(16,687)		
Total assets	$ 2,272,413			$ 2,051,618			$ 1,671,025		
Liabilities									
Interest-bearing liabilities									
Deposits									
Interest-bearing transaction accounts	$ 277,789	$ 2,199	0.79%	$ 276,101	$ 1,899	0.69%	$ 257,538	$ 1,054	0.41%
Savings	395,437	11,811	2.99%	361,718	9,228	2.55%	338,759	5,993	1.77%
Certificates of deposit	806,613	39,147	4.85%	694,932	29,703	4.27%	488,689	14,099	2.89%
Funds purchased	208,516	9,180	4.40%	149,081	6,076	4.08%	123,352	3,031	2.46%
Notes payable	109,566	6,185	5.64%	134,775	7,375	5.47%	87,959	4,533	5.15%
Total interest-bearing liabilities	1,797,921	68,522	3.81%	1,616,607	54,281	3.36%	1,296,297	28,710	2.21%
Demand deposits	282,473			266,400			240,941		
Other liabilities	18,340			12,896			7,527		
Shareholders' equity	173,679			155,715			126,260		

	Years Ended December 31,		
Total liabilities and shareholders' equity	$ 2,272,413	$ 2,051,618	$ 1,671,025
Net interest spread	3.25%	3.37%	3.63%
Impact on interest free funds	0.57%	0.50%	0.36%
Net interest margin (non-taxable equivalent)	3.82%	3.87%	3.99%
Net interest income	$ 80,677	$ 73,527	$ 61,858

Noninterest Income and Expense

Noninterest income provides us with additional revenues that are significant sources of income. In 2007, 2006, and 2005, noninterest income comprised 26.9%, 26.2%, and 27.7%, respectively, of total net interest and noninterest income. The increase from 2006 resulted from an increase in our noninterest income, driven by higher service charges on deposit accounts, bankcard services income, and other income for the year ended December 31, 2007.

Table 4 Noninterest Income for the Three Years