SCBT FINANCIAL CORP
Form S-4
February 28, 2012

As filed with the Securities and Exchange Commission on February 27, 2012.

Registration No. 333-

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form S-4

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

SCBT Financial Corporation

(Exact Name of Registrant as Specified in its Charter)

South Carolina	**6021**	**57-0799315**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

520 Gervais Street
Columbia, South Carolina 29201
(800) 277-2175
(Address, including Zip Code, and Telephone Number, including Area Code, of Registrant's Principal Executive Offices)

Robert R. Hill, Jr.
President and Chief Executive Officer
SCBT Financial Corporation
520 Gervais Street
Columbia, South Carolina 29201
(800) 277-2175
(Name, Address, including Zip Code, and Telephone Number, including Area Code, of Agent for Service)

With copies to:

Matthew M. Guest, Esq.	**William B. West**	**George S. King, Jr., Esq.**
Wachtell, Lipton, Rosen & Katz	Executive Vice President and Treasurer	Haynsworth Sinkler Boyd, P.A.
51 West 52nd Street	Peoples Bancorporation, Inc.	1201 Main Street

New York, New York 10019 (212) 403-1000	1818 East Main Street Easley, South Carolina 29640 (864) 859-2265	22nd Floor Columbia, South Carolina 29201 (803) 540-7818

Approximate date of commencement of the proposed sale of the securities to the public:
As soon as practicable after this Registration Statement becomes effective and upon completion of the merger described in the enclosed document.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, as amended, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

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

Large accelerated filer o	Accelerated filer ý	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

CALCULATION OF REGISTRATION FEE

Title of each class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee(2)
Common Stock, par value $0.01	1,003,564	N/A	$31,250,397(3)	$3,582

(1) The maximum number of shares of SCBT Financial Corporation common stock estimated to be issuable upon completion of the SCBT/Peoples merger described herein. This number is based on the number of shares of Peoples common stock outstanding and reserved for issuance under various plans as of February 27, 2012, and the exchange of each such share of Peoples common stock for 0.1413 of a share of SCBT common stock, pursuant to the terms of the Agreement and Plan of Merger, dated as of December 19, 2011, by and between SCBT Financial Corporation and Peoples Bancorporation, Inc., which is attached to the proxy statement/prospectus as Annex A.

(2) Estimated solely for the purpose of calculating the registration fee required by Section 6(b) of the Securities Act and computed pursuant to Rules 457(f) and 457(c) under the Securities Act, based on a rate of $114.60 per $1,000,000 of the proposed maximum aggregate offering price.

(3) The proposed maximum aggregate offering price of the registrant's common stock was calculated based upon the market value of shares of Peoples common stock in accordance with Rules 457(c) and 457(f) under the Securities Act as follows: the product of (A) $4.40, the average of the high and low prices per share of Peoples common stock as reported on the OTC Bulletin Board on February 24, 2012 and (B) 7,102,363, the estimated maximum number of shares of Peoples common stock that may be exchanged for the merger consideration, including shares reserved for issuance under various equity plans.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act, or until the Registration Statement shall become effective on such dates as the Commission, acting pursuant to said Section 8(a), may determine.

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PRELIMINARY SUBJECT TO COMPLETION DATED FEBRUARY 27, 2012

Proxy Statement **Prospectus**

[Peoples Logo / Letterhead] [SCBT Logo / Letterhead]

MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT

Dear Shareholder:

On December 19, 2011, Peoples Bancorporation, Inc. and SCBT Financial Corporation agreed to a strategic business combination in which Peoples will merge with and into SCBT, with SCBT continuing as the surviving corporation (which we refer to as the merger). Immediately following the merger, The Peoples National Bank, Bank of Anderson, N.A. and Seneca National Bank, each a wholly-owned bank subsidiary of Peoples, will merge with SCBT, N.A., a wholly-owned bank subsidiary of SCBT, with SCBT, N.A. continuing as the surviving bank (we refer to these bank mergers collectively as the bank mergers). In the merger, each share of Peoples common stock will be converted into 0.1413 of a share of SCBT common stock, subject to certain adjustments. The maximum number of shares of SCBT common stock to be delivered to holders of shares of Peoples common stock upon completion of the merger is approximately [ ] shares, based on the number of shares of Peoples common stock outstanding as of [ ] and assuming full exercise of all outstanding and unexercised stock options.

We are sending you this proxy statement/prospectus to notify you of and invite you to the special meeting of Peoples shareholders being held to consider the Agreement and Plan of Merger, dated as of December 19, 2011, as it may be amended from time to time (which we refer to as the merger agreement), that Peoples has entered into with SCBT, and to ask you to vote at the special meeting in favor of the approval of the merger agreement.

The special meeting of Peoples shareholders will be held on [ ] at 1818 East Main Street, Easley, South Carolina at 10:00 a.m. local time.

At the special meeting, in addition to being asked to approve the merger agreement, you will also be asked to approve the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the approval of the merger agreement. You will also be asked to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to Peoples' named executive officers in connection with the merger.

The market value of the merger consideration will fluctuate with the market price of SCBT common stock and will not be known at the time you vote on the merger. SCBT common stock is currently quoted on the NASDAQ Global Market under the symbol "SCBT." On [ ], the last practicable trading day before the date of this proxy statement/prospectus, the closing share price of SCBT common stock was $[ ] per share as reported on the NASDAQ Global Market. **We urge you to obtain current market quotations for SCBT and Peoples.**

The merger is intended to be treated as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, and holders of Peoples common stock are not expected to recognize any gain or loss for U.S. federal income tax purposes on the exchange of shares of Peoples common stock for shares of SCBT common stock in the merger, except with respect to any cash received in lieu of fractional shares of SCBT common stock.

Your vote is important. We cannot complete the merger unless Peoples' shareholders approve the merger agreement. In order for the merger to be approved, at least two-thirds of the shares of Peoples common stock outstanding and entitled to vote must be voted in favor of approval of the merger agreement. **Regardless of whether or not you plan to attend the special meeting, please take the time to vote your shares in accordance with the instructions contained in this proxy statement/prospectus.** Failing to vote will have the same effect as voting against the merger.

Peoples' board of directors unanimously recommends that Peoples shareholders vote "FOR" the approval of the merger agreement, "FOR" the approval of the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the approval of the merger agreement

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and "FOR" the approval, on an advisory (non-binding) basis, of the compensation that may be paid or become payable to Peoples' named executive officers in connection with the merger.

This proxy statement/prospectus describes the special meeting, the merger, the documents related to the merger and other related matters. Please carefully read this entire proxy statement/prospectus, including "Risk Factors," beginning on page [ ], for a discussion of the risks relating to the proposed merger. You also can obtain information about SCBT from documents that it has filed with the Securities and Exchange Commission.

If you have any questions concerning the merger, please contact Robert E. Dye, Jr., Corporate Secretary, 1818 East Main Street, Easley, South Carolina 29640, at (864) 859-2265. We look forward to seeing you in Easley.

George B. Nalley, Jr.
Chairman of the Board
Peoples Bancorporation, Inc.

Neither the Securities and Exchange Commission, the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, nor any state securities commission or any other bank regulatory agency has approved or disapproved the securities to be issued in the merger or determined if this proxy statement/prospectus is accurate or adequate. Any representation to the contrary is a criminal offense.

The securities to be issued in the merger are not savings or deposit accounts or other obligations of any bank or non-bank subsidiary of either SCBT or Peoples, and they are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.

The date of this proxy statement/prospectus is [ ], and it is first being mailed or otherwise delivered to Peoples shareholders on or about [ ].

[Peoples Logo / Letterhead]

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

To the Shareholders of Peoples Bancorporation, Inc.:

Peoples Bancorporation, Inc. will hold a special meeting of shareholders at 10:00 a.m. local time, on [ ], at 1818 East Main Street, Easley, South Carolina to consider and vote upon the following matters:

- a proposal to approve the Agreement and Plan of Merger, dated as of December 19, 2011, by and between SCBT Financial Corporation and Peoples Bancorporation, Inc., pursuant to which Peoples will merge with SCBT as more fully described in the attached proxy statement/prospectus;

- a proposal to approve the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the approval of the merger agreement; and

- a proposal to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to Peoples' named executive officers in connection with the merger.

We have fixed the close of business on [ ] as the record date for the special meeting. Only Peoples shareholders of record at that time are entitled to notice of, and to vote at, the special meeting, or any adjournment or postponement of the special meeting. In order for the merger to be approved, two-thirds of the shares of Peoples common stock outstanding and entitled to vote must be voted in favor of approval of the merger agreement.

Your vote is very important. We cannot complete the merger unless Peoples' common shareholders approve the merger agreement. Failure to vote will have the same effect as voting against the merger.

Regardless of whether you plan to attend the special meeting, please vote as soon as possible. If you hold stock in your name as a shareholder of record, please complete, sign, date and return the accompanying proxy card in the enclosed postage-paid return envelope. If you hold your stock in "street name" through a bank or broker, please follow the instructions on the voting instruction card furnished by the record holder.

The enclosed proxy statement/prospectus provides a detailed description of the special meeting, the merger, the documents related to the merger and other related matters. We urge you to read the proxy statement/prospectus, including any documents incorporated in the proxy statement/prospectus by reference, and its appendices carefully and in their entirety. If you have any questions concerning the merger or the proxy statement/prospectus, would like additional copies of the proxy statement/prospectus or need help voting your shares of Peoples common stock, please contact Robert E. Dye, Jr., Corporate Secretary, 1818 East Main Street, Easley, South Carolina 29640, at (864) 859-2265.

Under South Carolina law, Peoples shareholders are or may be entitled to assert dissenters' rights with respect to the proposed merger and to seek judicial appraisal of the fair value of their shares upon compliance with the requirements of South Carolina law. We have described dissenters' rights under South Carolina law in the proxy statement/prospectus and we have also included a copy of Chapter 13 of the South Carolina Business Corporation Act as Annex C to the proxy statement/prospectus. We urge any Peoples shareholder who wishes to assert dissenters' rights to read the statute carefully and to consult legal counsel before attempting to assert dissenters' rights.

Peoples' board of directors has unanimously approved the merger and the merger agreement and unanimously recommends that Peoples shareholders vote "FOR" the approval of the merger agreement, "FOR" the approval of the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies in favor of such approval and "FOR" the approval, on an advisory

(non-binding) basis, of the compensation that may be paid or become payable to Peoples' named executive officers in connection with the merger.

BY ORDER OF THE BOARD OF DIRECTORS,

Robert E. Dye, Jr.
Corporate Secretary

Easley, South Carolina
[ ]

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REFERENCES TO ADDITIONAL INFORMATION

This proxy statement/prospectus incorporates important business and financial information about SCBT Financial Corporation from documents filed with or furnished to the Securities and Exchange Commission, or SEC, that are not included in or delivered with this proxy statement/prospectus. You can obtain any of the documents filed with or furnished to the SEC by SCBT, as well as any documents filed with or furnished to the SEC by Peoples, at no cost from the SEC's website at http://www.sec.gov. You may also request copies of these documents, including documents incorporated by reference in this proxy statement/prospectus, at no cost by contacting the appropriate company at the following address:

SCBT Financial Corporation	Peoples Bancorporation, Inc.
520 Gervais Street	1818 East Main Street
Columbia, South Carolina 29201	Easley, South Carolina 29640
Attention: Secretary	Attention: Secretary
Telephone: (800) 277-2175	Telephone: (864) 859-2265

You will not be charged for any of these documents that you request. To obtain timely delivery of these documents, you must request them no later than five business days before the date of the special meeting. This means that Peoples shareholders requesting documents must do so by [ ], in order to receive them before the special meeting.

In addition, if you have questions about the merger or the Peoples special meeting, need additional copies of this proxy statement/prospectus or need to obtain proxy cards or other information related to the proxy solicitation, you may contact Robert E. Dye, Jr., Corporate Secretary, at the following address and telephone number:

1818 East Main Street
Easley, South Carolina 29640
(864) 859-2265

See "Where You Can Find More Information" for more details.

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QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE PEOPLES SPECIAL MEETING

The following are some questions that you may have about the merger and the Peoples special meeting, and brief answers to those questions. We urge you to read carefully the remainder of this proxy statement/prospectus because the information in this section does not provide all of the information that might be important to you with respect to the merger and the Peoples special meeting. Additional important information is also contained in the documents incorporated by reference into this proxy statement/prospectus. See "Where You Can Find More Information."

Unless the context otherwise requires, references in this proxy statement/prospectus to "Peoples" refer to Peoples Bancorporation, Inc., a South Carolina corporation, and its affiliates. Unless the context otherwise requires, references in this proxy statement/prospectus to "SCBT" refer to SCBT Financial Corporation, a South Carolina corporation, and its affiliates.

Q:
What am I being asked to vote on at the Peoples special meeting?

A:
SCBT and Peoples have entered into an Agreement and Plan of Merger, dated as of December 19, 2011, which we refer to as the merger agreement, pursuant to which SCBT has agreed to acquire Peoples. Under the terms of the merger agreement, Peoples will merge with and into SCBT, with SCBT continuing as the surviving entity. We refer to this transaction as the merger. Immediately following the merger, The Peoples National Bank, Bank of Anderson, N.A. and Seneca National Bank, each a wholly-owned bank subsidiary of Peoples, will merge with and into SCBT, N.A., a wholly-owned bank subsidiary of SCBT, with SCBT, N.A. continuing as the surviving bank (we refer to these bank mergers collectively as the bank mergers). Peoples shareholders are being asked to approve the merger agreement and the transactions it contemplates, including the merger.

Peoples shareholders are also being asked to approve the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the approval of the merger agreement. We refer to this as the adjournment proposal.

In addition, Peoples shareholders will also consider and vote, on an advisory (non-binding) basis, on a proposal to approve the compensation that may be paid or become payable to Peoples' named executive officers in connection with the merger, including the agreements and understandings pursuant to which such compensation may be paid or become payable. We refer to this as the compensation proposal.

Q:
What will I receive in the merger?

A:
If the merger is completed, you will receive 0.1413 of a share of SCBT common stock, which we refer to as the exchange ratio, subject to certain adjustments, for each share of Peoples common stock that you hold immediately prior to the merger. SCBT will not issue any fractional shares of SCBT common stock in the merger. Peoples shareholders who would otherwise be entitled to a fractional share of SCBT common stock upon the completion of the merger will instead receive an amount in cash based on the average price per share of SCBT common stock for the 10 trading days immediately preceding (but not including) the day on which the merger is completed, which we refer to as the SCBT closing share value.

Q:
Will the value of the merger consideration change between the date of this proxy statement/prospectus and the time the merger is completed?

A:
The value of the merger consideration may fluctuate between the date of this proxy statement/prospectus and the completion of the merger based upon the market value for SCBT common stock. In the merger you will receive a fraction of a share of SCBT common stock for each share of Peoples common stock you hold. Any fluctuation in the market price of SCBT common stock

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after the after the date of this proxy statement/prospectus will change the value of the shares of SCBT common stock that you will receive.

Q:

How does Peoples' board of directors recommend that I vote at the special meeting?

A:

Peoples' board of directors unanimously recommends that you vote "FOR" the proposal to approve the merger agreement, "FOR" the adjournment proposal and "FOR" the compensation proposal.

Q:

When and where is the Peoples special meeting?

A:

The Peoples special meeting will be held at 1818 East Main Street, Easley, South Carolina on [ ], at 10:00 a.m. local time.

Q:

What do I need to do now?

A:

After you have carefully read this proxy statement/prospectus and have decided how you wish to vote your shares, please vote your shares promptly so that your shares are represented and voted at the special meeting. If you hold your shares in your name as a shareholder of record, you must complete, sign, date and mail your proxy card in the enclosed postage-paid return envelope as soon as possible. If you hold your shares in "street name" through a bank or broker, you must direct your bank or broker to vote in accordance with the instructions you have received from your bank or broker. "Street name" shareholders who wish to vote in person at the special meeting will need to obtain a proxy form from the institution that holds their shares.

Q:

What constitutes a quorum for the special meeting?

A:

The presence at the special meeting, in person or by proxy, of holders of a majority of the outstanding shares of Peoples common stock entitled to vote at the special meeting will constitute a quorum for the transaction of business. Abstentions and broker non-votes will be included in determining the number of shares present at the meeting for the purpose of determining the presence of a quorum. A broker non-vote occurs under stock exchange rules when a broker is not permitted to vote on a matter without instructions from the beneficial owner of the shares and no instruction is given.

Q:

What is the vote required to approve each proposal at the Peoples special meeting?

A:

Approval of the merger agreement requires the affirmative vote of two-thirds of the outstanding shares of Peoples common stock as of the close of business on [ ], the record date for the special meeting. If you fail to vote, mark "ABSTAIN" on your proxy or fail to instruct your bank or broker with respect to the proposal to approve the merger agreement, it will have the same effect as a vote "AGAINST" the proposal.

The adjournment proposal and the compensation proposal will be approved if the number of shares, represented in person or by proxy at the special meeting and entitled to vote thereon, voted in favor of each such proposal exceeds the number of shares voted against such proposal.

Q:

What will happen if Peoples' shareholders do not approve, on an advisory (non-binding) basis, the compensation payable to Peoples' named executive officers in connection with the merger?

A:

The vote on the compensation proposal is a vote separate and apart from the vote to approve the merger agreement. You may vote for the compensation proposal and against the proposal to approve the merger agreement, and vice versa. Because the vote on the compensation proposal is advisory only, it will not be binding on either Peoples or SCBT. Accordingly, because Peoples is

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contractually obligated to pay the compensation, if the merger is completed, the compensation will be payable, subject only to the conditions applicable thereto, regardless of the outcome of the advisory (non-binding) vote.

Q:

Why is my vote important?

A:

If you do not vote, it may be more difficult for Peoples to obtain the necessary quorum to hold its special meeting. In addition, your failure to vote, or failure to instruct your bank or broker as to how to vote, will have the same effect as a vote against approval of the merger agreement. The merger agreement must be approved by two-thirds of the outstanding shares of Peoples common stock entitled to vote at the special meeting. Peoples' board of directors unanimously recommends that you vote to approve the merger agreement.

Q:

If my shares of common stock are held in "street name" by my bank or broker, will my bank or broker automatically vote my shares for me?

A:

No. Your bank or broker cannot vote your shares without instructions from you. You should instruct your bank or broker as to how to vote your shares in accordance with the instructions provided to you. Please check the voting form used by your bank or broker.

Q:

What if I abstain from voting or fail to instruct my bank or broker?

A:

If you fail to vote, mark "ABSTAIN" on your proxy or fail to instruct your bank or broker with respect to the proposal to approve the merger agreement, it will have the same effect as a vote "AGAINST" the proposal. However, if you mark "ABSTAIN" on your proxy with respect to the adjournment proposal or the compensation proposal, or if you fail to vote or fail to instruct your bank or broker with respect to the adjournment proposal or the compensation proposal, it will have no effect on the adjournment proposal or the compensation proposal.

Q:

Can I attend the special meeting and vote my shares in person?

A:

Yes. All shareholders, including shareholders of record and shareholders who hold their shares through banks, brokers, nominees or any other holder of record, are invited to attend the special meeting. Holders of record of Peoples common stock can vote in person at the special meeting. If you are not a shareholder of record, you must obtain a proxy, executed in your favor, from the record holder of your shares, such as a broker, bank or other nominee, to be able to vote in person at the special meeting. If you plan to attend the special meeting, you must hold your shares in your own name or have a letter from the record holder of your shares confirming your ownership. In addition, you must bring a form of personal photo identification with you in order to be admitted. Peoples reserves the right to refuse admittance to anyone without proper proof of share ownership or without proper photo identification. The use of cameras, sound recording equipment, communications devices or any similar equipment during the special meeting is prohibited without Peoples' express written consent.

Q:

Can I change my vote?

A:

Yes. If you are a holder of record of Peoples common stock, you may revoke any proxy at any time before it is voted by (1) signing and returning a proxy card with a later date, (2) delivering a written revocation letter to Peoples' corporate secretary or (3) attending the special meeting in person, notifying the corporate secretary and voting by ballot at the special meeting. Attendance at the special meeting will not automatically revoke your proxy. A revocation or later-dated proxy received by Peoples after the vote will not affect the vote. Peoples' corporate secretary's mailing address is: Corporate Secretary, Peoples Bancorporation, Inc., 1818 East Main Street, Easley,

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South Carolina 29640. If you hold your shares in "street name" through a bank or broker, you should contact your bank or broker to revoke your proxy.

Q:

Will Peoples be required to submit the proposal to approve the merger agreement to its shareholders even if Peoples' board of directors has withdrawn, modified or qualified its recommendation?

A:

Yes. Unless the merger agreement is terminated before the Peoples special meeting, Peoples is required to submit the proposal to approve the merger agreement to its shareholders even if Peoples' board of directors has withdrawn or modified its recommendation.

Q:

What are the U.S. federal income tax consequences of the merger to Peoples shareholders?

A:

The merger is intended to qualify as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, which we refer to as the Code, and holders of Peoples common stock are not expected to recognize any gain or loss for U.S. federal income tax purposes on the exchange of shares of Peoples common stock for shares of SCBT common stock in the merger, except with respect to any cash received instead of fractional shares of SCBT common stock.

For further information, see "Material U.S. Federal Income Tax Consequences of the Merger."

The U.S. federal income tax consequences described above may not apply to all holders of Peoples common stock. Your tax consequences will depend on your individual situation. Accordingly, we strongly urge you to consult your tax advisor for a full understanding of the particular tax consequences of the merger to you.

Q:

What if I want to exercise dissenters' rights?

A:

If you want to exercise dissenters' rights and receive the fair value of your Peoples shares in cash instead of the merger consideration described in this proxy statement/prospectus, (1) you must give Peoples written notice, before the vote on the proposal to approve the merger agreement, of your intent to demand payment for your shares if the merger is consummated, (2) you must not vote your shares "FOR" the approval of the merger agreement and (3) you must follow certain other procedures after the Peoples special meeting, as described in Annex C. You may notify Peoples of your intent to demand payment for your shares if the merger agreement is approved by providing written notice to: Corporate Secretary, Peoples Bancorporation, Inc., 1818 East Main Street, Easley, South Carolina 29640. If you return a signed proxy without voting instructions and your shares are automatically voted in favor of the merger agreement, such vote will not disqualify you from demanding payment for your shares. For further information, see "The Merger Dissenters' Rights in the Merger."

Q:

If I am a Peoples shareholder, should I send in my Peoples stock certificates now?

A:

No. Please do not send in your Peoples stock certificates with your proxy. After the merger, an exchange agent designated by SCBT will send you instructions for exchanging Peoples stock certificates for the merger consideration. See "The Merger Agreement Conversion of Shares; Exchange of Certificates."

Q:

What should I do if I hold my shares of Peoples common stock in book-entry form?

A:

You are not required to take any specific actions if your shares of Peoples common stock are held in book-entry form. After the completion of the merger, shares of Peoples common stock held in book-entry form automatically will be exchanged for the merger consideration, including shares of

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SCBT common stock in book-entry form and any cash to be paid in exchange for fractional shares in the merger.

Q:

Whom may I contact if I cannot locate my Peoples stock certificate(s)?

A:

If you are unable to locate your original Peoples stock certificate(s), you should contact Registrar and Transfer Company, Attn: Lost Certificate Department at 10 Commerce Drive, Cranford, NJ 07016 or at 800-368-5948.

Q:

When do you expect to complete the merger?

A:

Peoples and SCBT expect to complete the merger in the second quarter of 2012. However, neither Peoples nor SCBT can assure you when or if the merger will occur. Peoples and SCBT must first obtain the approval of Peoples shareholders and the necessary regulatory approvals.

Q:

Whom should I call with questions?

A:

If you have any questions concerning the merger or this proxy statement/prospectus, would like additional copies of this proxy statement/prospectus or need help voting your shares of Peoples common stock, please contact: Robert E. Dye, Jr., Corporate Secretary, 1818 East Main Street, Easley, South Carolina 29640, at (864) 859-2265.

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SUMMARY

This summary highlights selected information from this proxy statement/prospectus. It may not contain all of the information that is important to you. We urge you to read carefully the entire proxy statement/prospectus, including the appendices, and the other documents to which we refer in order to fully understand the merger. See "Where You Can Find More Information." Each item in this summary refers to the page of this proxy statement/prospectus on which that subject is discussed in more detail.

In the Merger, Peoples Shareholders Will Receive Shares of SCBT Common Stock (page [ ])

If the merger is completed, you will receive 0.1413 of a share of SCBT common stock for each share of Peoples common stock you hold immediately prior to the merger. SCBT will not issue any fractional shares of SCBT common stock in the merger. Peoples shareholders who would otherwise be entitled to a fraction of a share of SCBT common stock upon the completion of the merger will instead receive, for the fraction of a share, an amount in cash based on the SCBT closing share value. *For example, if you hold 100 shares of Peoples common stock, you will receive fourteen shares of SCBT common stock and a cash payment instead of the 0.13 shares of SCBT common stock that you otherwise would have received (100 shares × 0.1413 = 14.13 shares).*

The merger agreement governs the merger. The merger agreement is included in this proxy statement/prospectus as Annex A. Please read the merger agreement carefully. All descriptions in this summary and elsewhere in this proxy statement/prospectus of the terms and conditions of the merger are qualified by reference to the merger agreement.

Peoples' Board of Directors Unanimously Recommends that Peoples Shareholders Vote "FOR" the Approval of the Merger Agreement (page [ ])

Peoples' board of directors has determined that the merger, the merger agreement and the transactions contemplated by the merger agreement are advisable and in the best interests of Peoples and its shareholders and has unanimously approved the merger and the merger agreement. Peoples' board of directors unanimously recommends that Peoples shareholders vote "FOR" the approval of the merger agreement. For the factors considered by Peoples' board of directors in reaching its decision to approve the merger agreement, see "The Merger Peoples' Reasons for the Merger; Recommendation of Peoples' Board of Directors."

Scott & Stringfellow, LLC Has Provided an Opinion to Peoples' Board of Directors Regarding the Merger Consideration (page [ ] and Annex B)

On December 16, 2011, Scott & Stringfellow, LLC, Peoples' financial advisor in connection with the merger, rendered its oral opinion to the Peoples board of directors, subsequently confirmed in writing, that as of such date and based upon and subject to the assumptions, procedures, considerations, qualifications, and limitations set forth in the written opinion, the merger considerations, qualifications and limitations set forth in the written opinion, the merger consideration was fair, from a financial point of view, to the holders of shares of Peoples common stock.

The full text of Scott & Stringfellow's opinion, dated December 16, 2011, is attached as Annex B to this proxy statement/prospectus. You should read the opinion in its entirety for a discussion of the assumptions made, procedures followed, factors considered and limitations upon the review undertaken by Scott & Stringfellow in rendering its opinion.

For further information, see "The Merger Opinion of Scott & Stringfellow, LLC"

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What Holders of Peoples Stock Options and Other Equity-Based Awards Will Receive (page [ ])

If the merger is completed, each option to purchase shares of Peoples common stock, which we refer to as a Peoples option, that is outstanding immediately prior to the closing of the merger, whether vested or unvested, will be converted into the right to receive an amount in cash, which we refer to as the Black-Scholes amount. The Black-Scholes amount will be determined by an accounting firm selected by SCBT and shall be calculated pursuant to the Black-Scholes valuation methodology consistently applied and based on certain assumptions.

If the merger is completed, each restricted share of Peoples common stock, which we refer to as a Peoples restricted share, that is outstanding immediately prior to the closing of the merger will vest in full and become free of all restrictions as of the closing of the merger. At the closing of the merger, the holder of such Peoples restricted shares will be entitled to receive the merger consideration in respect of each of his or her Peoples restricted shares.

Peoples Will Hold its Special Meeting on [ ] (page [ ])

The special meeting of Peoples shareholders will be held on [ ], at 10:00 am local time, at 1818 East Main Street, Easley, South Carolina. At the special meeting, Peoples shareholders will be asked to:

- approve the merger agreement and the transactions it contemplates;
- approve the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the approval of the merger agreement; and
- approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to Peoples' named executive officers in connection with the merger.

Only holders of record at the close of business on [ ] will be entitled to vote at the special meeting. Each share of Peoples common stock is entitled to one vote on each proposal to be considered at the Peoples special meeting. As of the record date, there were [ ] shares of Peoples common stock entitled to vote at the special meeting. Each of the directors of Peoples and Alexander C. Dye, Director of Expansion and Development of Peoples, has entered into a voting agreement with SCBT, pursuant to which they have agreed, solely in their capacity as Peoples shareholders, to vote all of their shares of Peoples common stock in favor of the proposals to be presented at the special meeting. As of the record date, Peoples directors who are parties to the voting agreements and Alexander C. Dye, who is neither an executive officer nor a director of Peoples, owned and were entitled to vote an aggregate of approximately [ ] shares of Peoples common stock, which represents approximately [ ]% of the shares of Peoples common stock outstanding on that date. As of the record date, the directors and executive officers of Peoples beneficially owned and were entitled to vote approximately [ ] shares of Peoples common stock representing approximately [ ]% of the shares of Peoples common stock outstanding on that date, and held options to purchase [ ] shares of Peoples common stock and [ ] shares underlying restricted stock awards. As of the record date, SCBT and its subsidiaries held [ ] shares of Peoples common stock (other than shares held as fiduciary, custodian or agent), and its directors and executive officers or their affiliates held [ ] shares of Peoples common stock.

To approve the merger agreement, two-thirds of the outstanding shares of Peoples common stock entitled to vote at the special meeting must be voted in favor of approving the merger agreement. Because approval is based on the affirmative vote of two-thirds of the shares outstanding, your failure to vote, failure to instruct your bank or broker how to vote with respect to the proposal to approve the merger agreement or abstention will have the same effect as a vote against approval of the merger agreement.

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The adjournment proposal and the compensation proposal will be approved if the number of shares, represented in person or by proxy at the special meeting and entitled to vote thereon, voted in favor of each such proposal exceeds the number of shares voted against such proposal. Therefore, if you mark "ABSTAIN" on your proxy with respect to the adjournment proposal or the compensation proposal, or if you fail to vote or fail to instruct your bank or broker with respect to the adjournment proposal or the compensation proposal, it will have no effect on the adjournment proposal or the compensation proposal.

The Merger Is Intended to Be Tax-Free to Holders of Peoples Common Stock as to the Shares of SCBT Common Stock They Receive (page [ ])

The merger is intended to qualify as a "reorganization" within the meaning of Section 368(a) of the Code, and it is a condition to the respective obligations of SCBT and Peoples to complete the merger that each of SCBT and Peoples receive a legal opinion to that effect. Accordingly, the merger generally will be tax-free to a holder of Peoples common stock for U.S. federal income tax purposes as to the shares of SCBT common stock he or she receives in the merger, except for any gain or loss that may result from the receipt of cash instead of fractional shares of SCBT common stock that such holder of Peoples common stock would otherwise be entitled to receive.

For further information, see "Material U.S. Federal Income Tax Consequences of the Merger."

The U.S. federal income tax consequences described above may not apply to all holders of Peoples common stock. Your tax consequences will depend on your individual situation. Accordingly, we strongly urge you to consult your tax advisor for a full understanding of the particular tax consequences of the merger to you.

Peoples' Officers and Directors Have Financial Interests in the Merger that Differ from Your Interests (page [ ])

Peoples shareholders should be aware that some of Peoples' directors and executive officers have interests in the merger and have arrangements that are different from, or in addition to, those of Peoples shareholders generally. These interests and arrangements may create potential conflicts of interest. Peoples' board of directors was aware of these interests and considered these interests, among other matters, when making its decision to approve the merger agreement, and in recommending that Peoples' shareholders vote in favor of approving the merger agreement.

Peoples is party to employment agreements with L. Andrew Westbrook, III, and William B. West that provide for a lump sum cash payment upon a change in control of Peoples. Each of Peoples' named executive officers is party to a salary continuation agreement which provides for enhanced deferred compensation benefits upon a change in control. However, because R. Riggie Ridgeway is already fully vested in his deferred compensation benefits under his salary continuation agreement, he does not receive the benefit of additional vesting as a result of the merger.

Each Peoples option that is outstanding immediately prior to the effective time of the merger, whether vested or unvested, will be converted into an obligation of SCBT to pay each holder an amount equal to the product of (i) the applicable per share Black-Scholes amount and (ii) the number of shares of Peoples common stock subject to the Peoples option. Each outstanding Peoples restricted share will vest at the effective time of the merger and the holders of Peoples restricted shares will be entitled to the merger consideration for each such Peoples restricted share.

For a more complete description of these interests, see "The Merger Interests of Peoples' Directors and Executive Officers in the Merger" and "The Merger Agreement Treatment of Peoples Stock Options and Other Equity-Based Awards."

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Peoples Shareholders Who Do Not Vote "For" the Merger Will Have Dissenters' Rights (page [ ])

Under South Carolina law, which is the law under which Peoples is incorporated, the holders of Peoples common stock will be entitled to dissenters' rights in connection with the merger, provided they (1) give Peoples written notice, before the vote on the proposal to approve the merger agreement, of their intent to demand payment for their shares if the merger is consummated, (2) do not vote "FOR" the approval of the merger agreement and (3) comply with all other applicable statutory procedures for asserting dissenters' rights required by South Carolina law. You may notify Peoples of your intent to demand payment for your shares if the merger is consummated by providing written notice to: Corporate Secretary, Peoples Bancorporation, Inc., 1818 East Main Street, Easley, South Carolina 29640. If you wish to dissent and you execute and return a proxy in the accompanying form, you must not vote "FOR" the approval of the merger agreement. If you do not return your proxy, or you return your proxy without specifying how you wish to vote and your proxy is automatically voted in favor of the merger agreement, then you will not be disqualified from exercising your dissenters' rights. Shareholders who exercise their dissenters' rights by complying with the applicable statutory procedures required by South Carolina law will be entitled to receive payment in cash for the fair value of their shares as defined by South Carolina law, and, in the event that Peoples and such shareholders cannot agree on the fair value of their shares, in a judicial proceeding. The procedures to be followed by dissenting shareholders are described below in "The Merger Dissenters' Rights in the Merger."

Conditions That Must Be Satisfied or Waived for the Merger to Occur (page [ ])

Currently, Peoples and SCBT expect to complete the merger in the second quarter of 2012. As more fully described in this proxy statement/prospectus and in the merger agreement, the completion of the merger depends on a number of conditions being satisfied or, where legally permissible, waived. These conditions include, among others, approval of the merger agreement by Peoples' shareholders, the receipt of certain required regulatory approvals, and the receipt of legal opinions by each company regarding the U.S. federal income tax treatment of the merger.

Neither Peoples nor SCBT can be certain when, or if, the conditions to the merger will be satisfied or waived, or that the merger will be completed.

Termination of the Merger Agreement (page [ ])

The merger agreement can be terminated at any time prior to completion of the merger by mutual consent, or by either party in the following circumstances:

- the merger has not been completed by September 19, 2012 (we refer to this date as the end date), if the failure to complete the merger by that date is not caused by the terminating party's breach of the merger agreement;

- any required regulatory approval has been denied by the relevant regulatory authority and this denial has become final and nonappealable, or a regulatory authority has issued a final, nonappealable injunction permanently enjoining or otherwise prohibiting the completion of the merger or the other transactions contemplated by the merger agreement; or

- there is a breach by the other party that would cause the failure of the closing conditions described above, and the breach is not cured prior to the earlier of September 19, 2012 and 30 business days following written notice of the breach.

In addition, SCBT may terminate the merger agreement in the following circumstances:

- Peoples' board of directors fails to recommend to the Peoples shareholders that they approve the merger agreement or withdraws, modifies or qualifies, or proposes or resolves to withdraw, modify or qualify, such recommendation in a manner adverse to SCBT;

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Peoples' board of directors fails to comply in all material respects with its non-solicitation obligations described below in "The Merger Agreement Agreement Not to Solicit Other Offers" or its obligations with respect to calling shareholder meetings and acquisition proposals described below in "The Merger Agreement Peoples Shareholder Meeting and Recommendation of Peoples' Board of Directors";

Peoples' board of directors approves, recommends or endorses, or proposes or resolves to approve, recommend or endorse, an alternative transaction or acquisition proposal, as described below in "The Merger Agreement Peoples Shareholder Meeting and Recommendation of Peoples' Board of Directors"; or

Peoples' shareholders do not approve the merger agreement and the transactions it contemplates at the special meeting or adjournment thereof.

Termination Fee (page [ ])

If the merger agreement is terminated under certain circumstances, including circumstances involving a change in recommendation by Peoples' board of directors, Peoples may be required to pay SCBT a termination fee of $1.5 million. The termination fee could discourage other companies from seeking to acquire or merge with Peoples.

Regulatory Approvals Required for the Merger (page [ ])

Both Peoples and SCBT have agreed to use their reasonable best efforts to obtain all regulatory approvals required or advisable to complete the transactions contemplated by the merger agreement. These approvals include approvals from, among others: the Board of Governors of the Federal Reserve System, or Federal Reserve Board, the Office of the Comptroller of the Currency, or OCC, and the South Carolina State Board of Financial Institutions, or State Board. SCBT and Peoples have filed, or are in the process of filing, applications and notifications to obtain the required regulatory approvals.

Although neither Peoples nor SCBT knows of any reason why it cannot obtain these regulatory approvals in a timely manner, Peoples and SCBT cannot be certain when or if they will be obtained.

The Rights of Peoples Shareholders Will Change as a Result of the Merger (page [ ])

The rights of Peoples shareholders will change as a result of the merger due to differences in SCBT's and Peoples' governing documents. The rights of Peoples shareholders are governed by South Carolina law and by Peoples' articles of incorporation and bylaws, each as amended to date (which we refer to as Peoples' articles of incorporation and bylaws, respectively). Upon the completion of the merger, the rights of Peoples shareholders will be governed by South Carolina law and SCBT's articles of incorporation and bylaws.

See "Comparison of Shareholders' Rights" for a description of the material differences in shareholder rights under each of the SCBT and Peoples governing documents.

Litigation Relating to the Merger (page [ ])

Peoples and Peoples' directors are named as defendants in a lawsuit that is pending in connection with the merger. SCBT is also named as a defendant in this lawsuit. See "The Merger Litigation Relating to the Merger."

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Information About the Companies (page [   ])

SCBT Financial Corporation

SCBT is a bank holding company, or BHC, incorporated under South Carolina law in 1985. Until February of 2004, SCBT was named "First National Corporation." SCBT currently holds all of the stock of its subsidiary, SCBT, N.A., a national bank that opened for business in 1934. SCBT operates as South Carolina Bank and Trust, North Carolina Bank and Trust, and Community Bank and Trust. SCBT coordinates the financial resources of the consolidated enterprise and thereby maintains financial, operational and administrative systems that allow centralized evaluation of subsidiary operations and coordination of selected policies and activities. SCBT's operating revenues and net income are derived primarily from cash dividends received from SCBT, N.A. At September 30, 2011, SCBT had consolidated total assets of approximately $3.94 billion, gross loans of approximately $2.88 billion and total deposits of approximately $3.29 billion.

The principal executive offices of SCBT are located at 520 Gervais Street, Columbia, South Carolina 29201, and its telephone number is (800) 277-2175. SCBT's website can be accessed at http://www.scbtonline.com. Information contained in SCBT's website does not constitute part of, and is not incorporated into, this proxy statement/prospectus. SCBT common stock is quoted on the NASDAQ Global Market under the symbol "SCBT."

Additional information about SCBT and its subsidiaries is included in documents incorporated by reference in this proxy statement/prospectus. See "Where You Can Find More Information."

Peoples Bancorporation, Inc.

Peoples is a bank holding company incorporated in South Carolina in March of 1992. Peoples was originally incorporated for the purposes of holding all of the stock of its subsidiary, The Peoples National Bank, and commenced operations on July 1, 1992. Peoples now has three wholly-owned subsidiaries: The Peoples National Bank, a national bank that commenced business operations in August 1986; Bank of Anderson, N.A., a national bank that commenced business operations in September 1998; and Seneca National Bank, a national bank that commenced business operations in February 1999. Peoples engages in no significant operations other than the ownership of its three subsidiaries and the support thereof. Peoples conducts its business from eight banking offices located in the Upstate Area of South Carolina. At September 30, 2011, Peoples had assets of approximately $545.9 million, gross loans of approximately $304.6 million and total deposits of approximately $472.3 million.

Peoples' principal executive offices are located at 1818 East Main Street, Easley, South Carolina 29640, and its telephone number is (864) 859-2265. Peoples' website can be accessed at http://www.peoplesbc.com. Information contained in Peoples' website does not constitute part of, and is not incorporated into, this proxy statement/prospectus.

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SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF SCBT

The following table summarizes financial results achieved by SCBT for the periods and at the dates indicated and should be read in conjunction with SCBT's consolidated financial statements and the notes to the consolidated financial statements contained in reports that SCBT has previously filed with the SEC. See "Where You Can Find More Information."

	As of or for the Nine Months Ended September 30,		As of or for the Year Ended December 31,				
	2011	2010	2010	2009	2008	2007	2006
	(in thousands, other than share data)						
Summarized Income Statement Data:							
Interest income	$ 127,893	$ 115,565	$ 155,354	$ 141,798	$ 156,075	$ 149,199	$ 127,808
Interest expense	16,366	24,763	32,737	37,208	60,298	68,522	54,281
Net Interest income	111,527	90,802	122,617	104,590	95,777	80,677	73,527
Provision for loan losses	23,179	43,615	54,282	26,712	10,736	4,384	5,268
Noninterest income	45,456	124,478	137,735	26,246	19,049	27,359	23,962
Noninterest expenses	106,430	91,496	125,242	83,646	79,796	71,402	62,132
Net income before provision for income taxes	27,374	80,169	80,828	20,478	24,294	32,250	30,089
Provision for income taxes	9,608	28,846	28,946	6,883	8,509	10,685	10,284
Net income	17,766	51,323	51,882	13,595	15,785	21,565	19,805
Preferred stock dividends and discount accretion				4,674			
Net income attributable to common shares	$ 17,766	$ 51,323	$ 51,882	$ 8,921	$ 15,785	$ 21,565	$ 19,805
Per Common Share Data:							
Earnings per share Basic	$ 1.30	$ 4.07	$ 4.11	$ 0.74	$ 1.53	$ 2.33	$ 2.17
Earnings per share Diluted	$ 1.28	$ 4.04	$ 4.08	$ 0.74	$ 1.52	$ 2.32	$ 2.15
Book value at end of period	$ 27.26	$ 26.23	$ 25.79	$ 22.20	$ 21.77	$ 21.17	$ 18.57
Cash dividends declared	$ 0.51	$ 0.51	$ 0.68	$ 0.68	$ 0.68	$ 0.68	$ 0.68
Weighted-Average Number of Common Shares:							
Basic	13,613	12,609	12,618	12,061	10,301	9,275	9,126
Diluted	13,689	12,715	12,720	12,109	10,394	9,305	9,218
Average Balance Sheet Data:							
Total assets	$ 3,889,735	$ 3,604,285	$ 3,617,590	$ 2,813,926	$ 2,725,955	$ 2,272,413	$ 2,051,618
Total long-term debt	$ 47,396	$ 90,265	$ 81,822	$ 150,446	$ 168,645	$ 109,566	$ 134,775
Total shareholders' equity	$ 365,799	$ 336,250	$ 335,853	$ 291,590	$ 225,484	$ 173,679	$ 155,715

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COMPARATIVE PER SHARE DATA
(Unaudited)

Presented below for SCBT and Peoples is historical, unaudited pro forma combined and pro forma equivalent per share financial data as of and for the year ended December 31, 2010 and as of and for the nine months ended September 30, 2011. The information presented below should be read together with the historical consolidated financial statements of SCBT and Peoples, including the related notes, in the case of SCBT, filed by SCBT with the SEC and incorporated by reference into this proxy statement/prospectus and, in the case of Peoples, appearing elsewhere in this proxy statement/prospectus. See "Where You Can Find More Information."

The unaudited pro forma and pro forma per equivalent share information gives effect to the merger as if the merger had been effective on December 31, 2010 or September 30, 2011 in the case of the book value data, and as if the merger had been effective as of January 1, 2010 or January 1, 2011 in the case of the earnings per share and the cash dividends data. The unaudited pro forma data combines the historical results of Peoples into SCBT's consolidated statement of income. While certain adjustments were made for the estimated impact of fair value adjustments and other acquisition-related activity, they are not indicative of what could have occurred had the acquisition taken place on January 1, 2010 or January 1, 2011.

In addition, the unaudited pro forma data includes adjustments, which are preliminary and may be revised. The unaudited pro forma data, while helpful in illustrating the financial characteristics of the combined company under one set of assumptions, does not reflect the impact of factors that may result as a consequence of the merger or consider any potential impacts of current market conditions or the merger on revenues, expense efficiencies, asset dispositions, and share repurchases, among other factors, nor the impact of possible business model changes. As a result, unaudited pro forma data is presented for illustrative purposes only and does not represent an attempt to predict or suggest future results.

	Historical		SCBT Pro Forma	Peoples Pro Forma Equivalent
	SCBT	Peoples	Combined	Per Share(1)
Basic Income (Loss) from Continuing Operations				
For the year ended December 31, 2010	$ 4.11	$ (0.06)	$ 3.90	$ 0.55
For the nine months ended September 30, 2011	$ 1.30	$ 0.16	$ 1.38	$ 0.19
Diluted Income (Loss) from Continuing Operations				
For the year ended December 31, 2010	$ 4.08	$ (0.06)	$ 3.87	$ 0.55
For the nine months ended September 30, 2011	$ 1.28	$ 0.16	$ 1.37	$ 0.19
Cash Dividends				
For the year ended December 31, 2010	$ 0.68	$	$ 0.68	$ 0.10
For the nine months ended September 30, 2011	$ 0.51	$	$ 0.51	$ 0.07
Book Value Per Common Share				
As of December 31, 2010	$ 25.79	$ 5.64	$ 26.20	$ 3.70
As of September 30, 2011	$ 27.26	$ 6.46	$ 27.53	$ 3.89
Market Value				
As of December 19, 2011(2)	$ 27.25	$ 1.50	N/A	$ 3.85

(1) Reflects Peoples shares at the exchange ratio of 0.1413.

(2) Business day immediately prior to the public announcement of the proposed merger.

In the table above, book value per share on a pro forma basis assumes that equity has been increased by $31.1 million for December 31, 2010 and September 30, 2011. This change is the net result

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of consideration transferred in the merger, including SCBT common shares with an estimated value of $33.1 million, and $13.4 million in cash, less the redemption of the Peoples Series T and Series W Preferred Stock in the amount of $13.3 million, and one-time transaction expenses of $2.0 million, net of tax that is expected to be incurred by SCBT. The fair value of SCBT's common shares was calculated by applying the exchange ratio of 0.1413 SCBT shares for each share of Peoples common stock using the outstanding number of Peoples' shares as of September 30, 2011, and $32.95, the closing price of SCBT's common shares on February 9, 2012. The price per SCBT share used to determine consideration at closing will be based on the closing price of SCBT's common shares on the last trading day prior to the date of acquisition, and will be different from the amount assumed in these pro-forma calculations.

For the pro forma combined SCBT book value per share presented in the table above, shares of Peoples' Series T and Series W Preferred Stock, issued to the United States Department of the Treasury in conjunction with the Troubled Asset Relief Program (TARP), are assumed to be redeemed immediately after closing for a total of approximately $13.3 million. The resulting impact to the pro forma combined SCBT basic and diluted earnings per share amounts is the removal of the related TARP dividends and discount accretion for the periods presented.

Pro forma combined basic and diluted earnings per share for the periods presented include assumed amortization or accretion of certain fair value adjustments made to loans, securities, CDI, non-compete intangibles and deposits. These inclusions increased net income by $776,000 and $579,000 for the year and nine month period ended December 31, 2010 and September 30, 2011, respectively.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements contained or incorporated by reference in this proxy statement/prospectus contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including, but not limited to, statements about the financial condition, results of operations, earnings outlook and prospects of SCBT, Peoples and the combined company following the proposed transaction and statements for the period following the completion of the merger. Words such as "anticipate," "believe," "feel," "expect," "estimate," "indicate," "seek," "strive," "plan," "intend," "outlook," "forecast," "project," "position," "target," "mission," "contemplate," "assume," "achievable," "potential," "strategy," "goal," "aspiration," "outcome," "continue," "remain," "maintain," "trend," "objective" and variations of such words and similar expressions, or future or conditional verbs such as "will," "would," "should," "could," "might," "can," "may" or similar expressions, as they relate to SCBT, Peoples, the proposed transaction or the combined company following the transaction often identify forward-looking statements.

These forward-looking statements are predicated on the beliefs and assumptions of management based on information known to management as of the date of this proxy statement/prospectus and do not purport to speak as of any other date. Forward-looking statements may include descriptions of the expected benefits and costs of the transaction; forecasts of revenue, earnings or other measures of economic performance, including statements of profitability, business segments and subsidiaries; management plans relating to the transaction; the expected timing of the completion of the transaction; the ability to complete the transaction; the ability to obtain any required regulatory, shareholder or other approvals; any statements of the plans and objectives of management for future or past operations, products or services, including the execution of integration plans; any statements of expectation or belief; and any statements of assumptions underlying any of the foregoing.

The forward-looking statements contained or incorporated by reference in this proxy statement/prospectus reflect the view of management as of this date with respect to future events and are subject to risks and uncertainties. Should one or more of these risks materialize or should underlying beliefs or assumptions prove incorrect, actual results could differ materially from those anticipated by the forward-looking statements or historical results. Such risks and uncertainties, include, among others, the following possibilities: (1) the occurrence of any event, change or other circumstances that could give rise to the termination of the merger agreement between SCBT and Peoples; (2) the outcome of any legal proceedings that may be instituted against SCBT or Peoples; (3) the inability to complete the transactions contemplated by the merger agreement due to the failure to satisfy each transaction's respective conditions to completion, including the receipt of regulatory approval; (4) credit risk associated with an obligor's failure to meet the terms of any contract with the bank or otherwise fail to perform as agreed; (5) interest risk involving the effect of a change in interest rates on both SCBT's and Peoples banks' earnings and the market value of the portfolio equity; (6) liquidity risk affecting SCBT's and Peoples banks' ability to meet its obligations when they come due; (7) price risk focusing on changes in market factors that may affect the value of traded instruments in "mark-to-market" portfolios; (8) transaction risk arising from problems with service or product delivery; (9) compliance risk involving risk to earnings or capital resulting from violations of or nonconformance with laws, rules, regulations, prescribed practices, or ethical standards; (10) strategic risk resulting from adverse business decisions or improper implementation of business decisions; (11) reputation risk that adversely affects earnings or capital arising from negative public opinion; (12) terrorist activities risk that results in loss of consumer confidence and economic disruptions; (13) economic downturn risk resulting in deterioration in the credit markets; (14) greater than expected noninterest expenses; (15) excessive loan losses; (16) potential deposit attrition, higher than expected costs, customer loss and business disruption associated with SCBT's integration of Habersham, BankMeridian and Peoples, including, without limitation, potential difficulties in maintaining relationships with key personnel and other integration-related matters; (17) the risks of fluctuations in market prices for SCBT stock that may or may not

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reflect the economic condition or performance of SCBT; (18) changes to the payment of dividends on SCBT common stock as a result of regulatory supervision or at the discretion of the SCBT board of directors; and (19) other factors, which could cause actual results to differ materially from future results expressed or implied by such forward-looking statements.

For any forward-looking statements made in this proxy statement/prospectus or in any documents incorporated by reference into this proxy statement/prospectus, SCBT and Peoples claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. You are cautioned not to place undue reliance on these statements, which speak only as of the date of this proxy statement/prospectus or the date of any document incorporated by reference in this proxy statement/prospectus. SCBT and Peoples do not undertake to update forward-looking statements to reflect facts, circumstances, assumptions or events that occur after the date the forward-looking statements are made. All subsequent written and oral forward-looking statements concerning the merger or other matters addressed in this proxy statement/prospectus and attributable to SCBT, Peoples or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this proxy statement/prospectus.

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RISK FACTORS

In addition to general investment risks and the other information contained in or incorporated by reference into this proxy statement/prospectus, including the matters addressed under the section "Cautionary Statement Regarding Forward-Looking Statements," you should carefully consider the following risk factors in deciding how to vote for the proposals presented in this proxy statement/prospectus. In addition, you should read and consider the risks associated with each of the businesses of Peoples and SCBT because these risks will relate to the combined company. Descriptions of some of these risks can be found in the Annual Reports on Form 10-K filed by SCBT and Peoples for the year ended December 31, 2010, as updated by other reports filed with the SEC, which, in the case of SCBT, are incorporated by reference into this proxy statement/prospectus. You should also consider the other information in this proxy statement/prospectus and the other documents incorporated by reference into this proxy statement/prospectus. See "Where You Can Find More Information."

Because the market price of SCBT common stock will fluctuate, Peoples shareholders cannot be certain of the market value of the merger consideration they will receive.

Upon completion of the merger, each share of Peoples common stock will be converted into 0.1413 of a share of SCBT common stock. The market value of the merger consideration may vary from the closing price of SCBT common stock on the date SCBT announced the merger, on the date that this proxy statement/prospectus was mailed to Peoples shareholders, on the date of the special meeting of the Peoples shareholders and on the date the merger is completed and thereafter. Any change in the market price of SCBT common stock prior to the completion of the merger will affect the market value of the merger consideration that Peoples shareholders will receive upon completion of the merger. Stock price changes may result from a variety of factors that are beyond the control of SCBT and Peoples, including but not limited to general market and economic conditions, changes in our respective businesses, operations and prospects and regulatory considerations. Therefore, at the time of the Peoples special meeting you will not know the precise market value of the consideration you will receive at the effective time of the merger. You should obtain current market quotations for shares of SCBT common stock and for shares of Peoples common stock.

The market price of SCBT common stock after the merger may be affected by factors different from those affecting the shares of Peoples or SCBT currently.

Upon completion of the merger, holders of Peoples common stock will become holders of SCBT common stock. SCBT's business differs from that of Peoples, and, accordingly, the results of operations of the combined company and the market price of SCBT common stock after the completion of the merger may be affected by factors different from those currently affecting the independent results of operations of each of SCBT and Peoples.

Regulatory approvals may not be received, may take longer than expected or may impose conditions that are not presently anticipated.

Before the merger and the bank mergers may be completed, SCBT and Peoples must obtain approvals from the Federal Reserve Board, the OCC and the State Board. Other approvals, waivers or consents from regulators may also be required. These regulators may impose conditions on the completion of the merger or require changes to the terms of the merger. Such conditions or changes could have the effect of delaying or preventing completion of the merger or imposing additional costs on or limiting the revenues of SCBT following the merger. See "The Merger Regulatory Approvals Required for the Merger."

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Combining the two companies may be more difficult, costly or time consuming than expected.

SCBT and Peoples have operated and, until the completion of the merger, will continue to operate, independently. The success of the merger, including anticipated cost savings, will depend, in part, on our ability to successfully combine the businesses of SCBT and Peoples. To realize these anticipated benefits, after the completion of the merger, SCBT expects to integrate Peoples' business into its own. It is possible that the integration process could result in the loss of key employees, the disruption of each company's ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect the combined company's ability to maintain relationships with clients, customers, depositors and employees or to achieve the anticipated benefits of the merger. The loss of key employees could adversely affect SCBT's ability to successfully conduct its business in the markets in which Peoples now operates, which could have an adverse effect on SCBT's financial results and the value of its common stock. If SCBT experiences difficulties with the integration process, the anticipated benefits of the merger may not be realized fully or at all, or may take longer to realize than expected. As with any merger of financial institutions, there also may be business disruptions that cause SCBT and/or Peoples to lose customers or cause customers to remove their accounts from SCBT and/or Peoples and move their business to competing financial institutions. Integration efforts between the two companies will also divert management attention and resources. These integration matters could have an adverse effect on each of Peoples and SCBT during this transition period and for an undetermined period after completion of the merger. In addition, the actual cost savings of the merger could be less than anticipated.

The fairness opinion obtained by Peoples from its financial advisor will not reflect changes in circumstances between the date of this proxy statement/prospectus and the completion of the merger.

Peoples has obtained an updated fairness opinion as of the date of this proxy statement/prospectus from Scott & Stringfellow, LLC, Peoples' financial advisor. Changes in the operations and prospects of Peoples or SCBT, general market and economic conditions and other factors that may be beyond the control of Peoples and SCBT, and on which the fairness opinion was based, may alter the value of Peoples or SCBT or the prices of shares of Peoples common stock or SCBT common stock by the time the merger is completed. The opinion does not speak as of the time the merger will be completed or as of any date other than the date of such opinion. The December 16, 2011 opinion does not address the fairness of the merger consideration, from a financial point of view, at the time the merger is completed. The opinion that Peoples received from its financial advisor is attached as Annex B to this proxy statement/prospectus. For a description of the opinion, see "The Merger Opinion of Scott & Stringfellow, LLC." For a description of the other factors considered by Peoples' board of directors in determining to approve the merger, see "The Merger Peoples' Reasons for the Merger; Recommendation of Peoples' Board of Directors."

Some of the directors and executive officers of Peoples may have interests and arrangements that may have influenced their decisions to support or recommend that you approve the merger agreement.

The interests of some of the directors and executive officers of Peoples may be different from those of Peoples common shareholders, and directors and officers of Peoples may be participants in arrangements that are different from, or in addition to, those of Peoples common shareholders. These interests are described in more detail in the section entitled "The Merger Interests of Peoples' Directors and Executive Officers in the Merger."

Termination of the merger agreement could negatively impact Peoples.

If the merger agreement is terminated, there may be various consequences. For example, Peoples' businesses may have been impacted adversely by the failure to pursue other beneficial opportunities due to the focus of management on the merger, without realizing any of the anticipated benefits of

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completing the merger. Additionally, if the merger agreement is terminated, the market price of Peoples common stock could decline to the extent that the current market price reflects a market assumption that the merger will be completed. If the merger agreement is terminated and Peoples' board of directors seeks another merger or business combination, Peoples shareholders cannot be certain that Peoples will be able to find a party willing to pay the equivalent or greater consideration than that which SCBT has agreed to pay in the merger. In addition, if the merger agreement is terminated under certain circumstances, including circumstances involving a change in recommendation by Peoples' board of directors, Peoples may be required to pay SCBT a termination fee of $1.5 million.

Peoples will be subject to business uncertainties and contractual restrictions while the merger is pending.

Uncertainty about the effect of the merger on employees and customers may have an adverse effect on Peoples. These uncertainties may impair Peoples' ability to attract, retain and motivate key personnel until the merger is completed, and could cause customers and others that deal with Peoples to seek to change existing business relationships with Peoples. Retention of certain employees by Peoples may be challenging while the merger is pending, as certain employees may experience uncertainty about their future roles with Peoples or SCBT. If key employees depart because of issues relating to the uncertainty and difficulty of integration or a desire not to remain with Peoples or SCBT, Peoples' business or the Peoples' business assumed by SCBT following the merger could be harmed. In addition, subject to certain exceptions, Peoples has agreed to operate its business in the ordinary course prior to closing. See "The Merger Agreement Covenants and Agreements" for a description of the restrictive covenants applicable to Peoples.

The unaudited pro forma comparative per share data for SCBT and Peoples included in this proxy statement/prospectus are preliminary, and SCBT's actual financial position and operations after the completion of the merger may differ materially from the unaudited pro forma comparative per share data included in this proxy statement/prospectus.

The unaudited pro forma comparative per share data for both SCBT and Peoples in this proxy statement/prospectus are presented for illustrative purposes only and are not necessarily indicative of what SCBT's actual financial position or operations would have been had the merger been completed on the dates indicated.

The completion of the merger may trigger change in control provisions in certain agreements to which Peoples is a party.

The completion of the merger may trigger change in control provisions in certain agreements to which Peoples is a party. If Peoples and SCBT are unable to negotiate waivers of those provisions, the counterparties may exercise their rights and remedies under the agreements (including terminating the agreements or seeking monetary penalties). Even if Peoples or SCBT is able to obtain waivers, the counterparties may demand a fee for such waivers or seek to renegotiate the agreements on materially less favorable terms than those currently in place.

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THE PEOPLES SPECIAL MEETING

This section contains information for Peoples shareholders about the special meeting that Peoples has called to allow its shareholders to consider and approve the merger agreement. Peoples is mailing this proxy statement/prospectus to you, as a Peoples shareholder, on or about [ ]. Together with this proxy statement/prospectus, Peoples is also sending to you a notice of the special meeting of Peoples shareholders and a form of proxy card that Peoples' board of directors is soliciting for use at the special meeting and at any adjournments or postponements of the special meeting.

This proxy statement/prospectus is also being furnished by SCBT to Peoples shareholders as a prospectus in connection with the issuance of shares of SCBT common stock upon completion of the merger.

Date, Time and Place of Meeting

The special meeting will be held at 1818 East Main Street, Easley, South Carolina on [ ], at 10:00 a.m. local time.

Matters to Be Considered

At the special meeting of shareholders, you will be asked to consider and vote upon the following matters:

- a proposal to approve the merger agreement and the transactions it contemplates;
- a proposal to approve the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the approval of the merger agreement; and
- a proposal to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to Peoples' named executive officers in connection with the merger.

Recommendation of Peoples' Board of Directors

Peoples' board of directors has determined that the merger, the merger agreement and the transactions contemplated by the merger agreement are advisable and in the best interests of Peoples and its shareholders and has unanimously approved the merger and the merger agreement. Peoples' board of directors unanimously recommends that Peoples shareholders vote "FOR" the approval of the merger agreement, "FOR" the approval of the adjournment proposal and "FOR" the approval of the compensation proposal. See "The Merger Peoples' Reasons for the Merger; Recommendation of Peoples' Board of Directors" for a more detailed discussion of Peoples' board of directors' recommendation.

Record Date and Quorum

Peoples' board of directors has fixed the close of business on [ ] as the record date for determining the holders of Peoples common stock entitled to receive notice of and to vote at the Peoples special meeting.

As of the record date, there were [ ] shares of Peoples common stock outstanding and entitled to vote at the Peoples special meeting held by approximately [ ] holders of record. Each share of Peoples common stock entitles the holder to one vote at the Peoples special meeting on each proposal to be considered at the Peoples special meeting.

The presence at the special meeting, in person or by proxy, of holders of a majority of the outstanding shares of Peoples common stock entitled to vote at the special meeting will constitute a quorum for the transaction of business. All shares of Peoples common stock present in person or

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represented by proxy, including abstentions and broker non-votes, will be treated as present for purposes of determining the presence or absence of a quorum for all matters voted on at the Peoples special meeting. A broker non-vote occurs under stock exchange rules when a broker is not permitted to vote on a matter without instructions from the beneficial owner of the shares and no instruction is given.

Vote Required; Treatment of Abstentions and Failure to Vote

Approval of the merger agreement requires the affirmative vote of two-thirds of the outstanding shares of Peoples common stock entitled to vote at the special meeting. You are entitled to one vote for each share of Peoples common stock you held as of the record date. Because approval is based on the affirmative vote of two-thirds of the shares outstanding, your failure to vote, failure to instruct your bank or broker with respect to the proposal to approve the merger agreement or your abstaining will have the same effect as a vote against approval of the merger agreement.

The adjournment proposal and the compensation proposal will be approved if the number of shares, represented in person or by proxy at the special meeting and entitled to vote thereon, voted in favor of each such proposal exceeds the number of shares voted against such proposal. Therefore, if you mark "ABSTAIN" on your proxy with respect to the adjournment proposal or the compensation proposal, or if you fail to vote or fail to instruct your bank or broker with respect to the adjournment proposal or the compensation proposal, it will have no effect on the adjournment proposal or the compensation proposal.

Shares Held by Officers and Directors

As of the record date, directors and executive officers of Peoples and their affiliates beneficially owned and were entitled to vote approximately [ ] shares of Peoples common stock, representing approximately [ ]% of the shares of Peoples common stock outstanding on that date, and held options to purchase [ ] shares of Peoples common stock and [ ] shares underlying restricted stock awards. Each of the directors of Peoples and Alexander C. Dye, Director of Expansion and Development of Peoples, have entered into voting agreements with SCBT, pursuant to which they have agreed, solely in their capacity as Peoples shareholders, to vote all of their shares of Peoples common stock in favor of the proposals to be presented at the special meeting. As of the record date, the Peoples directors that are party to the voting agreements and Alexander C. Dye owned and were entitled to vote an aggregate of approximately [ ] shares of Peoples common stock, representing approximately [ ]% of the shares of Peoples common stock outstanding on that date. As of the record date, SCBT and its subsidiaries held [ ] shares of Peoples common stock (other than shares held as fiduciary, custodian or agent), and its directors and executive officers or their affiliates held [ ] shares of Peoples common stock. See "The Merger Interests of Peoples' Directors and Executive Officers in the Merger."

Voting of Proxies; Incomplete Proxies

Each copy of this proxy statement/prospectus mailed to holders of Peoples common stock is accompanied by a form of proxy with instructions for voting. If you hold stock in your name as a shareholder of record, you should complete and return the proxy card accompanying this proxy statement/prospectus, regardless of whether you plan to attend the special meeting.

If you hold your stock in "street name" through a bank or broker, you must direct your bank or broker to vote in accordance with the instructions you have received from your bank or broker.

Peoples shareholders should not send Peoples stock certificates with their proxy cards. After the merger is completed, holders of Peoples common stock will be mailed a transmittal form with instructions on how to exchange their Peoples stock certificates for the merger consideration.

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All shares represented by valid proxies that Peoples receives through this solicitation, and that are not revoked, will be voted in accordance with your instructions on the proxy card. If you make no specification on your proxy card as to how you want your shares voted before signing and returning it, your proxy will be voted "FOR" the approval of the merger agreement, "FOR" the approval of the adjournment proposal and "FOR" the approval of the compensation proposal. No matters other than the matters described in this proxy statement/prospectus are anticipated to be presented for action at the special meeting or at any adjournment or postponement of the special meeting.

Shares Held in "Street Name"; Broker Non-Votes

Under stock exchange rules, banks, brokers and other nominees who hold shares of Peoples common stock in "street name" for a beneficial owner of those shares typically have the authority to vote in their discretion on "routine" proposals when they have not received instructions from beneficial owners. However, banks, brokers and other nominees are not allowed to exercise their voting discretion with respect to the approval of matters determined to be "non-routine," such as approval of the merger agreement and approval of the compensation proposal, without specific instructions from the beneficial owner. Broker non-votes are shares held by a broker, bank or other nominee that are represented at the Peoples special meeting, but with respect to which the broker or nominee is not instructed by the beneficial owner of such shares to vote on the particular proposal and the broker does not have discretionary voting power on such proposal. If your broker, bank or other nominee holds your shares of Peoples common stock in "street name," your broker, bank or other nominee will vote your shares of Peoples common stock only if you provide instructions on how to vote by filling out the voter instruction form sent to you by your broker, bank or other nominee with this proxy statement/prospectus.

Revocability of Proxies and Changes to a Peoples Shareholder's Vote

If you hold stock in your name as a shareholder of record, you may revoke any proxy at any time before it is voted by (1) signing and returning a proxy card with a later date, (2) delivering a written revocation letter to Peoples' corporate secretary or (3) attending the special meeting in person, notifying the corporate secretary and voting by ballot at the special meeting.

Any shareholder entitled to vote in person at the special meeting may vote in person regardless of whether a proxy has been previously given, but the mere presence (without notifying Peoples' corporate secretary) of a shareholder at the special meeting will not constitute revocation of a previously given proxy.

Written notices of revocation and other communications about revoking your proxy should be addressed to:

Peoples Bancorporation, Inc.
1818 East Main Street
Easley, South Carolina 29640
Attention: Corporate Secretary

If your shares are held in "street name" by a bank or broker, you should follow the instructions of your bank or broker regarding the revocation of proxies.

Solicitation of Proxies

Peoples is soliciting your proxy in conjunction with the merger. Peoples will bear the entire cost of soliciting proxies from you. In addition to solicitation of proxies by mail, Peoples will request that banks, brokers and other record holders send proxies and proxy material to the beneficial owners of Peoples common stock and secure their voting instructions. Peoples will reimburse the record holders for their reasonable expenses in taking those actions. If necessary, Peoples may use its directors and several of its regular employees, who will not be specially compensated, to solicit proxies from the Peoples shareholders, either personally or by telephone, facsimile, letter or electronic means.

Attending the Meeting

All holders of Peoples common stock, including shareholders of record and shareholders who hold their shares through banks, brokers, nominees or any other holder of record, are invited to attend the special meeting. Shareholders of record can vote in person at the special meeting. If you are not a shareholder of record, you must obtain a proxy executed in your favor from the record holder of your shares, such as a broker, bank or other nominee, to be able to vote in person at the special meeting. If you plan to attend the special meeting, you must hold your shares in your own name or have a letter from the record holder of your shares confirming your ownership. In addition, you must bring a form of personal photo identification with you in order to be admitted. Peoples reserves the right to refuse admittance to anyone without proper proof of share ownership and without proper photo identification. The use of cameras, sound recording equipment, communications devices or any similar equipment during the special meeting is prohibited without Peoples' express written consent.

Assistance

If you have any questions concerning the merger or this proxy statement/prospectus, would like additional copies of this proxy statement/prospectus or need help voting your shares of Peoples common stock, please contact Robert E. Dye, Jr., Corporate Secretary:

1818 East Main Street
Easley, South Carolina 29640
(864) 859-2265

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INFORMATION ABOUT SCBT

SCBT is a bank holding company incorporated under South Carolina law in 1985. Until February of 2004, SCBT was named "First National Corporation." SCBT currently holds all of the stock of its subsidiary, SCBT, N.A., a national bank that opened for business in 1934. SCBT operates as South Carolina Bank and Trust, North Carolina Bank and Trust, and Community Bank and Trust. SCBT coordinates the financial resources of the consolidated enterprise and thereby maintains financial, operational and administrative systems that allow centralized evaluation of subsidiary operations and coordination of selected policies and activities. SCBT's operating revenues and net income are derived primarily from cash dividends received from SCBT, N.A. At September 30, 2011, SCBT had consolidated total assets of approximately $3.94 billion, gross loans of approximately $2.88 billion and total deposits of approximately $3.29 billion.

SCBT, N.A. provides a full range of retail and commercial banking services, mortgage lending services, trust and investment services, and consumer finance loans through 46 financial centers in 17 South Carolina counties, three financial centers in Mecklenburg County, North Carolina, and 27 financial centers in 10 counties in Northeast Georgia. SCBT, N.A. has served the Carolinas for more than 76 years. SCBT, N.A. began operating in 1934 in Orangeburg, South Carolina and has maintained its ability to provide superior customer service while also leveraging its size to offer many products more common to super-regional banks. SCBT has pursued a growth strategy that relies primarily on organic growth, supplemented by the acquisition of select financial institutions or branches in certain market areas. In recent years, SCBT has continued to grow its business in South Carolina, and has expanded into North Carolina and Georgia through, among other things, its acquisitions of Habersham Bank, a full service Georgia state-chartered community bank, in February of 2011 and of Community Bank & Trust, a full service Georgia state-chartered community bank, in January of 2010.

The principal executive offices of SCBT are located at 520 Gervais Street, Columbia, South Carolina 29201, and its telephone number is (800) 277-2175. SCBT's website can be accessed at http://www.scbtonline.com. Information contained in SCBT's website does not constitute part of, and is not incorporated into, this proxy statement/prospectus. SCBT common stock is quoted on the NASDAQ Global Market under the symbol "SCBT."

The directors and executive officers of SCBT immediately prior to the closing of the merger will continue to be the directors and executive officers of SCBT, as the surviving corporation of the merger, after the merger.

Additional information about SCBT and its subsidiaries is included in documents incorporated by reference in this proxy statement/prospectus. See "Where You Can Find More Information."

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INFORMATION ABOUT PEOPLES

Peoples is a bank holding company incorporated in South Carolina in March of 1992. Peoples was originally incorporated for the purposes of holding all of the stock of its subsidiary, The Peoples National Bank, and commenced operations on July 1, 1992. Peoples now has three wholly-owned subsidiaries: The Peoples National Bank, a national bank that commenced business operations in August 1986; Bank of Anderson, National Association, a national bank that commenced business operations in September 1998; and Seneca National Bank, a national bank that commenced business operations in February 1999. Peoples engages in no significant operations other than the ownership of its three subsidiaries and the support thereof. Peoples conducts its business from eight banking offices located in the Upstate Area of South Carolina. At September 30, 2011, Peoples had assets of approximately $545.9 million, gross loans of approximately $304.6 million and total deposits of approximately $472.3 million.

Peoples' principal executive offices are located at 1818 East Main Street, Easley, South Carolina 29640, and its telephone number is (864) 859-2265. Peoples' website can be accessed at http://www.peoplesbc.com. Information contained in Peoples' website does not constitute part of, and is not incorporated into, this proxy statement/prospectus.

General Business

Some of the major services which Peoples provides through its banking subsidiaries include checking accounts; NOW accounts; savings and other time deposits of various types; daily repurchase agreements; alternative investment products such as annuities, mutual funds, stocks and bonds; loans for business, agriculture, real estate, personal uses, home improvement and automobiles; residential mortgage loan origination; credit card services; letters of credit; home equity lines of credit; safe deposit boxes; wire transfer services; Internet banking services and use of ATM facilities. Peoples' subsidiary banks do not have trust powers. Peoples has no material concentration of deposits from any single customer or group of customers. No significant portion of its loans is concentrated within a single industry or group of related industries and it does not have any foreign loans. Peoples does, however, have a geographic concentration of customers and borrowers because most of its customers and borrowers are located in the Upstate area of South Carolina, and most of the real estate securing mortgage loans made by Peoples is located in this area. There are no material seasonal factors that would have an adverse effect on Peoples.

As a bank holding company, Peoples is a legal entity separate and distinct from its subsidiaries. Peoples coordinates the financial resources of the consolidated enterprises and maintains financial, operational and administrative systems that allow centralized evaluation of subsidiary operations and coordination of selected policies and activities. Peoples' operating revenues and net income are derived primarily from its subsidiaries through dividends and fees for services performed.

Territory Served and Competition

The Peoples National Bank serves its customers from five locations: two offices in Easley, South Carolina; one office in Pickens, South Carolina; one office in the unincorporated community of Powdersville, South Carolina; and one office in Greenville, South Carolina. Bank of Anderson, National Association, serves its customers from one location in the City of Anderson, South Carolina and another location in Anderson County, South Carolina. Seneca National Bank serves its customers from one location in the City of Seneca, South Carolina.

Each subsidiary of Peoples is a separately chartered bank, and therefore each subsidiary bank is responsible for developing and maintaining its own customers and accounts. Located in Easley, South Carolina, The Peoples National Bank's customer base is primarily derived from Greenville and Pickens Counties, South Carolina and the northeast section of Anderson County, South Carolina. Bank of

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Anderson's primary service area is Anderson County, South Carolina, and particularly the City of Anderson. Seneca National Bank derives most of its customer base from the City of Seneca and surrounding Oconee County, South Carolina.

Peoples' subsidiary banks compete with several large national banks, which dominate the commercial banking industry in their service areas and in South Carolina generally. In addition, Peoples' subsidiary banks compete with other community banks, savings institutions and credit unions. In Pickens County, there are thirty-one competitor bank offices, two savings institution offices, and one credit union office. In Anderson County there are fifty-six competitor bank offices, two savings institution offices, and five credit union offices. In Oconee County, there are nineteen competitor bank offices, six savings institution offices, and one credit union office. In Greenville County there are one hundred fifty-six competitor bank offices, ten savings institution offices, and eight credit union offices. The Peoples National Bank had approximately 10.9% of the deposits of Federal Deposit Insurance Corporation ("FDIC")-insured institutions in Pickens County and 0.4% in Greenville County. The Peoples National Bank and Bank of Anderson, combined, had approximately 7.0% of the deposits of FDIC-insured institutions in Anderson County. Seneca National Bank had approximately 5.7% of the deposits of FDIC-insured institutions in Oconee County. The foregoing information is as of June 30, 2010.

Many competitor institutions have substantially greater resources and higher lending limits than Peoples' subsidiary banks, and they perform certain functions for their customers, including trust services and investment banking services, which none of Peoples' subsidiary banks is equipped to offer directly. However, Peoples' subsidiary banks do offer some of these services through correspondent banks. In addition to commercial banks, savings institutions and credit unions, Peoples' subsidiary banks compete with other financial intermediaries and investment alternatives, including, but not limited to, mortgage companies, consumer finance companies, money market mutual funds, brokerage firms, insurance companies, leasing companies and other financial institutions. Several of these non-bank competitors are not subject to the same regulatory restrictions as Peoples and its subsidiaries and many have substantially greater resources than Peoples.

The extent to which other types of financial institutions compete with commercial banks has increased significantly within the past few years as a result of federal and state legislation that has, in several respects, deregulated financial institutions. The full impact of existing legislation and subsequent laws that deregulate the financial services industry cannot be fully assessed or predicted.

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Distribution of Assets, Liabilities and Shareholders' Equity; Interest Rates and Interest Differential

The following is a presentation of the average consolidated balance sheets of Peoples for the years ended December 31, 2010, 2009 and 2008. This presentation includes all major categories of interest-earning assets and interest-bearing liabilities:

AVERAGE CONSOLIDATED BALANCE SHEETS (dollars in thousands) For the years ended December 31,	2010	2009	2008
Assets			
Cash and Due from Banks	$ 9,257	$ 12,344	$ 9,852
Taxable Securities	87,071	73,088	57,918
Tax-Exempt Securities	38,029	38,242	38,968
Federal Funds Sold	13,027	5,937	3,791
Gross Loans	359,828	388,359	416,161
Less: Allowance for Loan Losses	(8,214)	(7,969)	(5,937)
Net Loans	351,614	380,390	410,224
Other Assets	49,031	40,138	32,953
Total Assets	$ 548,029	$ 550,139	$ 553,706
Liabilities and Shareholders' Equity			
Noninterest-bearing Deposits	$ 48,881	$ 46,320	$ 46,778
Interest-bearing Deposits:			
Interest Checking	63,684	62,622	64,239
Savings Deposits	10,659	10,327	9,119
Money Market	83,507	52,707	29,421
Certificates of Deposit	232,828	249,556	252,641
Individual Retirement Accounts	36,221	31,991	30,004
Total Interest-bearing Deposits	426,899	407,203	385,424
Short-term Borrowings	13,994	37,547	69,127
Notes Payable Other		3,385	1,846
Other Liabilities	4,278	4,605	3,561
Total Liabilities	494,052	499,060	506,736
Preferred Stock	12,745	8,754	
Common Stock	7,773	7,808	7,839
Additional Paid-in Capital	41,675	41,691	41,680
Retained Earnings (Deficit)	(8,216)	(7,174)	(2,549)
Total Shareholders' Equity	53,977	51,079	46,970
Total Liabilities and Shareholders' Equity	$ 548,029	$ 550,139	$ 553,706

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The following is a presentation of an analysis of the net interest income of Peoples for the years ended December 31, 2010, 2009 and 2008 with respect to each major category of interest-earning assets and each major category of interest-bearing liabilities:

	Year Ended December 31, 2010 (dollars in thousands)		
	Average Amount	Interest Earned/Paid	Average Yield/Rate
Assets			
Interest-bearing Deposits at Other Banks	$ 111	$ 2	1.80%
Securities Taxable	87,071	3,430	3.94%
Tax-Exempt	38,029	1,441	5.74%(1)
Federal Funds Sold	13,027	38	0.29%
Gross Loans(2)	359,828	21,341	5.93%
Total Earning Assets	$ 498,066	$ 26,252	5.42%(1)
Liabilities			
Interest Checking	$ 63,684	$ 530	0.83%
Savings Deposits	10,659	32	0.30%
Money Market	83,507	1,181	1.41%
Certificates of Deposit	232,828	4,537	1.95%
Individual Retirement Accounts	36,221	898	2.48%
	426,899	7,178	
Short-term Borrowings	13,994	95	0.67%
Long-term Borrowings			0.00%
Total Interest-bearing Liabilities	$ 440,893	$ 7,273	1.65%
Excess of Interest-earning Assets over Interest-bearing Liabilities	$ 57,173		
Net Interest Income		$ 18,979	
Interest Rate Spread			3.77%(1)
Net Yield on Earning Assets(3)			3.96%(1)

(1) Includes a tax-equivalent adjustment of $742 to reflect the federal tax benefit of the tax-exempt securities using a federal tax rate of 34%.

(2) For purposes of these analyses, non-accruing loans are included in the average balances. Loan fees included in interest earned are not material to the presentation.

(3) Net yield on interest-earning assets is calculated by dividing net interest income by total interest-earning assets.

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	Year Ended December 31, 2009 (dollars in thousands)		
	Average Amount	Interest Earned/Paid	Average Yield/Rate
Assets			
Interest-bearing Deposits at Other Banks	$ 569	$ 23	4.04%
Securities Taxable	73,088	3,445	4.71%
Tax-Exempt	38,242	1,498	5.94%(1)
Federal Funds Sold	5,937	9	0.15%
Gross Loans(2)	388,359	23,190	5.97%
Total Earning Assets	$ 506,195	$ 28,165	5.72%(1)
Liabilities			
Interest Checking	$ 62,622	$ 468	0.75%
Savings Deposits	10,327	47	0.46%
Money Market	52,707	1,126	2.14%
Certificates of Deposit	249,556	7,205	2.89%
Individual Retirement Accounts	31,991	1,061	3.32%
	407,203	9,907	
Short-term Borrowings	37,547	181	0.48%
Long-term Borrowings	3,385	182	5.38%
Total Interest-bearing Liabilities	$ 448,135	$ 10,270	2.29%
Excess of Interest-earning Assets over Interest-bearing Liabilities	$ 58,060		
Net Interest Income		$ 17,895	
Interest Rate Spread			3.43%(1)
Net Yield on Earning Assets(3)			3.69%(1)

(1) Includes a tax-equivalent adjustment of $774 to reflect the federal tax benefit of the tax-exempt securities using a federal tax rate of 34%.

(2) For purposes of these analyses, non-accruing loans are included in the average balances. Loan fees included in interest earned are not material to the presentation.

(3) Net yield on interest-earning assets is calculated by dividing net interest income by total interest-earning assets.

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	Year Ended December 31, 2008 (dollars in thousands)		
	Average Amount	Interest Earned/Paid	Average Yield/Rate
Assets			
Interest-bearing Deposits at Other Banks	$ 668	$ 33	4.94%
Securities Taxable	57,918	3,017	5.21%
Tax-Exempt	38,968	1,502	5.84%(1)
Federal Funds Sold	3,791	61	1.61%
Gross Loans(2)	416,161	27,188	6.53%
Total Earning Assets	$ 517,506	$ 31,801	6.29%(1)
Liabilities			
Interest Checking	$ 64,239	$ 761	1.18%
Savings Deposits	9,119	40	0.44%
Money Market	29,421	731	2.48%
Certificates of Deposit	252,641	10,298	4.08%
Individual Retirement Accounts	30,004	1,283	4.28%
	385,424	13,113	
Short-term Borrowings	69,127	1,949	2.82%
Long-term Borrowings	1,846	105	5.69%
Total Interest-bearing Liabilities	$ 456,397	$ 15,167	3.32%
Excess of Interest-earning Assets over Interest-bearing Liabilities	$ 61,109		
Net Interest Income		$ 16,634	
Interest Rate Spread			2.97%(1)
Net Yield on Earning Assets(3)			3.36%(1)

(1) Includes a tax-equivalent adjustment of $774 to reflect the federal tax benefit of the tax-exempt securities using a federal tax rate of 34%.

(2) For purposes of these analyses, non-accruing loans are included in the average balances. Loan fees included in interest earned are not material to the presentation.

(3) Net yield on interest-earning assets is calculated by dividing net interest income by total interest-earning assets.

Rate/Volume Analysis of Net Interest Income

The effect of changes in average balances (volume) and rates on interest income, interest expense and net interest income, for the periods indicated, is shown in the tables below. The effect of a change in volume has been determined by applying the average rate in the two periods to the change in average balances between the two periods. The effect of a change in rate has been determined by

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applying the average balance of the two periods to the change in the average rate between the two periods.

	Year Ended December 31, 2010 compared to 2009 (dollars in thousands)		
	Change in Volume	Change in Rate	Total Change
Interest earned on:			
Interest-bearing Deposits at Other Banks	$ (13)	$ (8)	$ (21)
Securities			
Taxable	605	(620)	(15)
Tax-Exempt(1)	(8)	(49)	(57)
Federal Funds Sold	16	13	29
Gross Loans(2)	(1,698)	(151)	(1,849)
Total Interest Income	(1,098)	(815)	(1,913)
Interest paid on:			
Interest Checking	8	54	62
Savings Deposits	1	(16)	(15)
Money Market	547	(492)	55
Certificates of Deposit	(404)	(2,264)	(2,668)
Individual Retirement Accounts	123	(286)	(163)
	275	(3,004)	(2,729)
Short-term Borrowings	(137)	51	(86)
Notes Payable Other	(91)	(91)	(182)
Total Interest Expense	47	(3,044)	(2,997)
Change in Net Interest Income	$ (1,145)	$ 2,229	$ 1,084

(1) Tax-exempt income is shown on an actual, rather than, taxable equivalent basis.

(2) For purposes of these analyses, non-accruing loans are included in the average balances. Loan fees included in interest earned are not material to the presentation.

As reflected in the table above, less interest was earned during 2010 compared to 2009 due to lower rates and decreased volume of loans and other earning assets. Interest expense was also lower in 2010 compared to 2009 due to lower market rates, and was partially offset by increased volume of

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deposits and other interest-bearing liabilities. The net effect of these differences was an overall increase in Peoples' net interest income.

	Year Ended December 31, 2009 compared to 2008 (dollars in thousands)		
	Change in Volume	Change in Rate	Total Change
Interest earned on:			
Interest-bearing Deposits at Other Banks	$ (4)	$ (6)	$ (10)
Securities			
Taxable	753	(325)	428
Tax-Exempt(1)	(28)	24	(4)
Federal Funds Sold	19	(71)	(52)
Gross Loans(2)	(1,738)	(2,260)	(3,998)
Total Interest Income	(998)	(2,638)	(3,636)
Interest paid on:			
Interest Checking	(16)	(277)	(293)
Savings Deposits	5	2	7
Money Market	538	(143)	395
Certificates of Deposit	(107)	(2,986)	(3,093)
Individual Retirement Accounts	75	(297)	(222)
	495	(3,701)	(3,206)
Short-term Borrowings	(521)	(1,248)	(1,769)
Notes Payable Other	85	(8)	77
Total Interest Expense	59	(4,957)	(4,898)
Change in Net Interest Income	$ (1,057)	$ 2,319	$ 1,262

(1) Tax-exempt income is shown on an actual, rather than, taxable equivalent basis.

(2) For purposes of these analyses, non-accruing loans are included in the average balances. Loan fees included in interest earned are not material to the presentation.

As reflected in the table above, less interest was earned during 2009 compared to 2008 due to lower rates and decreased volume of loans and other earning assets. Interest expense was also lower in 2009 compared to 2008 due to lower rates and was partially offset by increased volume of deposits and other interest-bearing liabilities. The net effect of these differences was an overall increase in Peoples' net interest income.

Loan Portfolio

Peoples engages, through its subsidiary banks, in a full complement of lending activities, including commercial, consumer, installment, and real estate loans.

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Types of Loans

Commercial lending is directed principally towards businesses whose demands for funds fall within each of Peoples' subsidiary banks' legal lending limits and which are potential deposit customers of the banks. This category of loans includes loans made to individuals, partnerships or corporate borrowers, and which are obtained for a variety of business purposes. Particular emphasis is placed on loans to small and medium-sized businesses. Peoples' commercial loans are spread throughout a variety of industries, with no industry or group of related industries accounting for a significant portion of the commercial loan portfolio. Commercial loans are, however, geographically concentrated primarily to borrowers in the Upstate area of South Carolina. Commercial loans are made on either a secured or unsecured basis. When taken, security usually consists of liens on inventories, receivables, equipment, and furniture and fixtures. Unsecured commercial loans are generally short-term with emphasis on repayment strengths and low debt-to-worth ratios. At December 31, 2010 approximately $6,975,000, or 3.0% of commercial loans, were unsecured compared to approximately $7,359,000 or 4.6% at December 31, 2009.

Peoples' real estate loans are primarily construction loans and loans secured by real estate, both commercial and residential, located within Peoples' market areas. Peoples does not actively pursue long-term, fixed-rate residential mortgage loans for retention. However, Peoples' subsidiary banks do employ mortgage loan originators who originate loans that are pre-sold at origination to third parties.

Peoples' subsidiary banks' direct consumer loans consist primarily of secured installment loans to individuals for personal, family and household purposes, including automobile loans to individuals, and pre-approved lines of credit.

Distribution and Maturities of Loan Portfolio

Management believes the loan portfolio is adequately diversified. The largest component of the loan portfolio continues to be loans secured by real estate located primarily in the Upstate area of South Carolina, including certain commercial and industrial loans secured by real estate, mortgage loans, and construction loans. These loans represent $305,262,000 or 89.6% of total loans at December 31, 2010, compared to $335,212,000 or 89.7% at December 31, 2009. There are no foreign loans and few if any agricultural loans. The following table presents various categories of loans contained in Peoples' loan portfolio and the total amount of all loans at year-end for 2010, 2009, 2008, 2007 and 2006.

	2010		2009		2008		2007		2006	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
Commercial	$ 28,362	8%	$ 29,240	8%	$ 43,451	11%	$ 47,885	11%	$ 38,505	11%
Real Estate:										
Residential real estate	106,759	31%	107,942	29%	124,445	31%	108,161	26%	97,835	27%
Commercial real estate	192,351	57%	212,812	57%	111,844	28%	107,531	26%	90,298	25%
Construction	6,152	2%	14,458	4%	104,390	26%	138,926	33%	117,465	33%
Consumer and other	7,089	2%	9,122	2%	14,581	4%	16,495	4%	13,978	4%
Total Loans	$ 340,713	100%	$ 373,574	100%	$ 398,711	100%	$ 418,998	100%	$ 358,081	100%
Allowance for loan losses	(7,919)		(7,431)		(9,217)		(4,310)		(4,070)	
Net Loans	$ 332,794		$ 366,143		$ 389,494		$ 414,688		$ 354,011	

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The following is a presentation of maturities of loans as of December 31, 2010:

Loan Maturity and Interest Sensitivity
(dollars in thousands)

Type of Loans	Due in 1 Year or less	Due After 1 Year up to 5 years	Due after 5 years	Total
Commercial	$ 12,861	$ 10,997	$ 4,504	$ 28,362
Real Estate	93,878	153,401	57,983	305,262
Consumer and other	2,793	4,093	203	7,089
Total	$ 109,532	$ 168,491	$ 62,690	$ 340,713

All loans are recorded according to contractual terms, and demand loans, overdrafts, and loans having no stated repayment terms or maturity are reported as due in one year or less.

At December 31, 2010, the amount of loans due after one year with predetermined interest rates totaled approximately $122,235,000, while the amount of loans due after one year with variable or floating interest rates totaled approximately $108,946,000.

Non-Performing Loans and Real Estate Acquired in Settlement of Loans

The following table presents information on non-performing loans and real estate acquired in settlement of loans:

	December 31, (dollars in thousands)				
Non-performing Assets	**2010**	**2009**	**2008**	**2007**	**2006**
Non-performing loans:					
Non-accrual loans	$ 15,734	$ 14,881	$ 16,950	$ 7,505	$ 993
Past due 90 days or more and still accruing					
Total non-performing loans	15,734	14,881	16,950	7,505	993
Real estate acquired in settlement of loans	13,344	11,490	5,428	1,023	271
Total non-performing assets	$ 29,078	$ 26,371	$ 22,378	$ 8,528	$ 1,264
Non-performing assets as a percentage of loans and real estate acquired in settlement of loans	8.21%	6.85%	5.54%	2.03%	0.35%
Allowance for loan losses as a percentage of non-performing loans	50%	50%	54%	57%	410%

In an effort to more accurately reflect the status of Peoples' loan portfolio, accrual of interest is discontinued on a loan that displays certain indications of problems which might jeopardize full and timely collection of principal and/or interest. Peoples' Loan Policy drives the administration of problem loans. Loans are monitored through continuing review by credit managers, monthly reviews of exception reports, and ongoing analysis of asset quality trends, economic and business factors. Credit management activities, including specific reviews of new large credits, are reviewed by the Directors' Loan Committees of each banking subsidiary, which meet monthly.

With respect to the loans accounted for on a non-accrual basis, the gross interest income that would have been recorded if the loans had been current in accordance with their original terms and outstanding throughout the period or since origination amounts to $1,062,000 for the year ended December 31, 2010. The interest on those loans that was included in net income for 2010 amounts to $250,000.

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At December 31, 2010 there was $15,734,000 of non-accruing loans. The overall increase in non-accruing loans since 2006 is primarily due to deterioration in the residential real estate market in Peoples' service areas. For some of these non-accruing loans, management does not currently expect any loss of principal. Where principal losses are expected, these loans have already been written down by the expected amount of the loss. Furthermore, management believes that Peoples' allowance for loan losses is adequate to absorb any unidentified probable losses. At December 31, 2010, 90.8% of Peoples' non-accruing loans were secured by real estate.

At December 31, 2010 there was $13,344,000 in real estate acquired in settlement of loans. This compares to $11,490,000 at December 31, 2009. During 2010 collateral was obtained from thirty-five loan relationships through foreclosure or deeds in lieu of foreclosure, and fifty-three properties were sold in 2010. The following table summarizes changes in assets acquired in settlement of loans during the periods noted:

	For the years ended December 31,	
	2010	**2009**
BALANCE, BEGINNING OF YEAR	$ 11,490	$ 5,428
Additions foreclosures	9,943	15,536
Sales	(7,017)	(9,344)
Write downs	(522)	(130)
Valuation reserve	(550)	
BALANCE, END OF YEAR	$ 13,344	$ 11,490

As of December 31, 2010 assets acquired in settlement of loans consisted of construction and land lots valued at $9,964,000, residential real estate valued at $2,870,000, and commercial real estate valued at $510,000. These assets are being actively marketed with the primary objective of liquidating the collateral at a level which most accurately approximates fair value and allows recovery of as much of the unpaid principal loan balance as possible upon the sale of the asset within a reasonable period of time. Based on currently available valuation information, the carrying value of these assets is believed to be representative of their fair value less estimated costs to sell, although there can be no assurance that the ultimate proceeds from the sale of these assets will be equal to or greater than their carrying values, particularly in the current real estate environment and the continued downturn trend in third party values.

Potential Problem Loans

As of December 31, 2010, there were no potential problem loans classified for regulatory purposes as doubtful, substandard or special mention that are not included in non-accruing loans, which (i) represent or result from trends or uncertainties that management reasonably expects will materially impact future operating results, liquidity, or capital resources of Peoples, or (ii) represent material credits about which management is aware of any information that causes management to have serious doubts as to the ability of such borrowers to comply with the loan repayment terms. As of December 31, 2010 management had identified $44,799,000 of performing loans where information about the borrowers or other characteristics of the loans indicated an increased risk of non-performance justifying increased management attention.

Impaired Loans

Peoples uses practical methods to measure loan impairment permitted by the FASB Accounting Standards Codification. A loan is impaired when, based on current information and events, it is probable a creditor will be unable to collect all amounts due (interest as well as principal) according to

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the contractual terms of the loan agreement. A loan is also impaired when its original terms are modified in a troubled debt restructuring. The FASB Accounting Standards Codification requires that impaired loans be measured based on the present value of expected future cash flows discounted at the loan's effective interest rate, the market price of the loan, if available, or the underlying collateral values as defined in the pronouncement. When the ultimate collectability of an impaired loan's principal is in doubt, wholly or partially, all cash receipts are applied to principal. When this doubt does not exist, cash receipts are applied under the contractual terms of the loan agreement. Once the recorded principal balance has been reduced to zero, future cash receipts are recorded as recoveries on any amounts previously charged-off. Further cash receipts are applied to interest income, to the extent that any interest has been foregone. Impaired loans totaled approximately $15,619,000 at December 31, 2010 and $14,746,000 at December 31, 2009. See Note 1, "Summary of Significant Accounting Policies and Activities Allowance for Loan Losses," and Note 4, "Loans," to Peoples' Audited Consolidated Financial Statements for the year ended December 31, 2010 included elsewhere in this proxy statement/prospectus.

Impaired Loan Analysis (dollar amounts in thousands):

	2010			2009		
Type of Loans	**#**	**Outstanding Amount**	**Amount Charged-off**	**#**	**Outstanding Amount**	**Amount Charged-off**
Commercial	2	$ 483	$	2	$ 70	$
Real Estate	55	15,111	3,058	36	14,667	4,082
Consumer and other	1	25		2	9	10
Total	58	$ 15,619	$ 3,058	40	$ 14,746	$ 4,092

Troubled debt restructurings are loans which have been restructured from their original contractual terms and include concessions that would not otherwise have been granted except for the financial difficulty of the borrower. Concessions can relate to the contractual interest rate, maturity date, or payment structure of the note. As part of its workout plan for individual loan relationships, Peoples may restructure loan terms to assist borrowers facing challenges in the current economic environment. The purpose of a troubled debt restructuring is to facilitate ultimate repayment of the loan.

At December 31, 2010 the principal balance of troubled debt restructurings totaled $1,686,000 representing five loans, compared to $786,000 representing three loans at December 31, 2009. All troubled debt restructurings were in nonaccrual status at December 31, 2010 and 2009.

Provision and Allowance For Loan Losses, Loan Loss Experience

The purpose of Peoples' allowance for loan losses is to absorb loan losses that occur in the loan portfolios of its bank subsidiaries. Peoples complies with the FASB Accounting Standards Codification when determining the adequacy of the allowance for loan losses. Management determines the adequacy of the allowance quarterly and considers a variety of factors in establishing a level of the allowance for loan losses and the related provision, which is charged to expense. Factors considered in determining the adequacy of the allowance for loan losses include: historical loan losses experienced by Peoples, current economic conditions affecting a borrower's ability to repay, the volume of outstanding loans, the trends in delinquent, non-accruing and potential problem loans, and the quality of collateral securing non-performing and problem loans. By considering the above factors, management attempts to determine the amount of reserves necessary to provide for inherent losses in the loan portfolios of its subsidiaries. However, the amount of reserves may change in response to changes in the financial condition of larger borrowers, changes in Peoples' local economies, industry trends, and regulatory requirements.

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The allowance for loan losses for each portfolio segment is set at an amount that reflects management's best judgment of the extent to which historical loss levels are more or less accurate indicators of current losses in the loan portfolios of its bank subsidiaries. While it is Peoples' policy to charge off in the current period loans in which a loss is considered probable, there are inherent losses that cannot be quantified precisely or attributed to particular loans or classes of loans. Because the state of the economy, industry trends, and conditions affecting individual borrowers may affect the amount of such losses, management's estimate of the appropriate amount of the allowance is necessarily approximate and imprecise. Peoples and its bank subsidiaries are also subject to regulatory examinations and determinations as to adequacy of the allowance for loan losses, which may take into account such factors as the methodology used to calculate the allowance for loan losses and the size of the allowance for loan losses in comparison to a group of peer companies identified by the regulatory agencies.

In assessing the adequacy of the allowance, management relies predominantly on its ongoing review of the loan portfolio, including historical charge-offs, which is undertaken both to ascertain whether there are probable losses that must be charged off and to assess the risk characteristics of the portfolio in the aggregate. Peoples utilizes its credit administration department, as well as the services of an outside consultant from time to time, to perform quality reviews of its loan portfolio. The reviews consider the judgments and estimates of management and also those of bank regulatory agencies that review the loan portfolio as part of their regular examination process. The OCC, as part of its routine examination process of national banks, including Peoples' subsidiary banks, may require additions to the allowance for loan losses based upon the regulator's credit evaluations differing from those of management. Peoples' management believes it has in place the controls and personnel needed to adequately monitor its loan portfolios and the adequacy of the allowance for loan losses.

At December 31, 2010, the allowance for loan losses was $7,919,000 or 2.32% of gross outstanding loans, compared to $7,431,000 or 1.99% of gross outstanding loans at December 31, 2009. During 2010, Peoples experienced net charge-offs of $6,137,000, or 1.71% of average loans, compared to net charge-offs of $6,744,000, or 1.74% of average loans during 2009. Peoples' provision for loan losses was $6,625,000 in 2010 compared to $4,958,000 in 2009.

Management continues to closely monitor the levels of non-performing and potential problem loans and will address the weaknesses in these credits to enhance the amount of ultimate collection or recovery on these assets. When increases in the overall level of non-performing and potential problem loans accelerates from the historical trend, management tends to adjust the methodology for determining the allowance for loan losses, which results in increases in the provision and the allowance for loan losses. This typically decreases net income.

The following table summarizes the allowance for loan loss balances of Peoples at the beginning and end of each period, changes in the allowance arising from charge-offs and recoveries by category and additions to the allowance, which have been charged to expense.

Analysis of Allowance for Loan Losses
(dollars in thousands)
Year ended December 31,

	2010	2009	2008	2007	2006
Balance at beginning of period	$ 7,431	$ 9,217	$ 4,310	$ 4,070	$ 3,691
Provision charged to expense	6,625	4,958	13,820	900	943
Charge-offs	(6,572)	(6,989)	(9,037)	(706)	(995)
Recoveries	435	245	124	46	268
Balance as end of period	$ 7,919	$ 7,431	$ 9,217	$ 4,310	$ 4,070

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The following table sets forth ratios of net charge-offs and the allowance for loan losses to the items stated:

Asset Quality Ratios:

	Year Ended December 31,				
	2010	2009	2008	2007	2006
Net charge-offs to average loans outstanding during the year	1.71%	1.74%	2.14%	0.17%	0.20%
Net charge-offs to total loans outstanding at end of year	1.80%	1.81%	2.24%	0.16%	0.20%
Allowance for loan losses to average loans	2.20%	1.91%	2.21%	1.12%	1.10%
Allowance for loan losses to total loans at end of year	2.32%	1.99%	2.31%	1.03%	1.14%
Net charge-offs to allowance for loan losses at end of year	77.50%	90.75%	96.70%	15.31%	17.86%
Net charge-offs to provision for loan losses	92.63%	136.02%	64.49%	73.33%	77.09%

Allowance for Loan Losses Allocation

As of December 31, 2010:

(Dollars in thousands)	Commercial	Residential Real Estate	Commercial Real Estate	Commercial Construction	Consumer and Other	Total
Specific Reserves:						
Impaired Loans	$	$ 186	$ 951	$	$	$ 1,137
General Reserve	513	900	4,677	527	165	6,782
Total	$ 513	$ 1,086	$ 5,628	$ 527	$ 165	$ 7,919
Loans individually evaluated for impairment	$ 483	$ 3,916	$ 11,203	$	$ 17	$ 15,619
Loans collectively evaluated for impairment	27,879	102,843	181,148	6,152	7,072	325,094
Total	$ 28,362	$ 106,759	$ 192,351	$ 6,152	$ 7,089	$ 340,713

The following table reflects charge-offs and recoveries per loan category:

	December 31,									
	2010		2009		2008		2007		2006	
(Dollars in thousands)	Charge-offs	Recoveries	Charge-offs	Recoveries	Charge-offs	Recoveries	Charge-offs	Recoveries	Charge-offs	Recoveries
Commercial	$ 1,866	$ 329	$ 459	$ 36	$ 1,360	$ 42	$ 298	$ 9	$ 165	$
Residential real estate	1,160	77	2,066	166	3,028	68	210	10	434	164
Commercial real estate	938	6	854	18	1,926	5		7	186	73
Commercial Construction	2,589	5	3,514	19	2,651		110	7	150	
Consumer and other	19	18	96	6	72	9	88	13	60	31
Total	$ 6,572	$ 435	$ 6,989	$ 245	$ 9,037	$ 124	$ 706	$ 46	$ 995	$ 268

The allowance for loan losses is increased by direct charges to operating expense through the provision for loan losses. Losses on loans are charged against the allowance in the period in which management determines it is more likely than not that the full amounts of such loans have become uncollectible. Recoveries of previously charged-off loans are credited back to the allowance.

Management considers the allowance for loan losses adequate to cover inherent losses on the loans outstanding at December 31, 2010. In the opinion of management, there are no material risks or significant loan concentrations, other than loans secured by real estate, in the present portfolio. The

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allowance for loan losses uses Peoples' procedures and methods which include the following risk factors, though not intended to be an all inclusive list:

- The impact of changes in the international, national, regional and local economic and business conditions and developments that affect the collectability of the loan portfolio, including those within Peoples' geographic market.
- The cumulative impact of the extended duration of this economic deterioration on Peoples' borrowers, in particular those with real estate related loans.
- Changes in the nature and volume in Peoples' loan portfolio.
- The impact of changes in the experience, ability, and depth of the lending management and other relevant staff.
- Changes in the value of underlying collateral for collateral-dependent loans.
- The impact of changes in the volume and severity of past due loans, the volume of non-accrual loans, and the volume and severity of adversely classified or graded loans.
- Changes in the quality of Peoples' loan review system.

No assurance can be given that Peoples will not sustain loan losses in any particular period which are sizable in relation to the amount reserved or that subsequent evaluation of the loan portfolio, in light of conditions and factors then prevailing, will not require significant changes in the allowance for loan losses or future charges to earnings. The allowance for loan losses is also subject to review and approval by various regulatory agencies through their periodic examinations of Peoples' subsidiaries. Such examinations could result in required changes to the allowance for loan losses.

The local economy continues to struggle. The housing market, including construction and development projects, has demonstrated stress given reduced cash flows of individual borrowers, limited bank financing and credit availability, and slow property sales. Peoples continues to diligently assess its risk, particularly in the real estate market. Peoples' special assets department has been proactive in foreclosure actions and sales in 2010. These actions should start to decrease Peoples' non-performing assets levels.

Investments

Peoples invests primarily in obligations of the United States of America or obligations guaranteed as to principal and interest by the United States of America, other taxable securities and in certain obligations of states and municipalities. Peoples' subsidiary banks enter into federal funds transactions with their principal correspondent banks and usually act as net sellers of such funds. The sale of federal funds amounts to a short-term loan from the selling bank to the purchasing bank.

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The following table summarizes the amortized cost and market values of investment securities held by Peoples at December 31, 2010, 2009 and 2008.

Securities Portfolio Composition
(dollars in thousands)

	2010		2009		2008	
	Amortized Cost	Market Value	Amortized Cost	Market Value	Amortized Cost	Market Value
TRADING ASSETS						
Other Securities	$ 76	$ 76	$ 128	$ 128	$ 47	$ 47
AVAILABLE FOR SALE						
Government Sponsored Enterprises	1,588	1,726	6,792	7,132	10,960	11,373
Mortgage Backed Securities	95,660	95,906	63,813	66,132	54,841	56,611
Other Securities	601	577	604	565	767	830
State and Political Subdivisions	32,585	32,441	28,950	29,398	27,199	27,189
Total Available for Sale	130,434	130,650	100,159	103,227	93,767	96,003
HELD TO MATURITY						
State and Political Subdivisions	7,249	7,375	8,402	8,621	12,651	12,666
OTHER INVESTMENTS	4,319	4,319	4,456	4,456	3,546	3,546
Total	$ 142,078	$ 142,420	$ 113,145	$ 116,432	$ 110,011	$ 112,262

Peoples accounts for investments in accordance with Accounting Standards Codification Topic 320. Investments classified as available for sale are carried at market value. Unrealized holding gains or losses are reported as a component of shareholders' equity net of deferred income taxes in comprehensive income. Securities classified as held to maturity are carried at amortized cost, adjusted for the amortization of premiums and the accretion of discounts. In order to qualify as held to maturity, Peoples must have the ability and intent to hold the securities to maturity. Trading securities are carried at market value. Unrealized holding gains or losses are recognized in income.

At December 31, 2010 Peoples' total investment portfolio classified as available for sale had a book value of $130,434,000 and a market value of $130,650,000 for a net unrealized gain of $216,000. The changes in the market valuation of the investment portfolio were directly related to the changes in market interest rates during the year. Management believes that maintaining most of its securities in the available for sale category provides greater flexibility in the management of the overall investment portfolio. In cases where the market value is less than book value, Peoples has the ability and intent to hold these securities until the value recovers or the securities mature.

None of the securities in the investment portfolio are considered other-than-temporarily impaired. Impairment of securities occurs when the fair value of a security is less than its amortized cost. For debt securities, impairment is considered other-than-temporary and recognized in net income if either (i) Peoples intends to sell the security or (ii) it is more-likely-than-not that Peoples will be required to sell the security before recovery of its amortized cost basis. Temporary impairment can occur with rising interest rates, since the market value of a fixed-income investment will fall as interest rates rise. On the other hand, market values will increase as interest rates fall.

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The following table indicates the respective maturities and weighted-average yields of securities as of December 31, 2010:

	Securities Maturity Schedule (dollars in thousands)	
	Amortized Cost	Weighted Average Yield**
TRADING ASSETS		
Other Securities		
Greater than 10 Years	$ 76	0.00%
AVAILABLE FOR SALE		
Government sponsored enterprises, mortgage backed securities and other securities:		
1 - 5 Years	$ 61,031	4.71%
5 - 10 Years	13,420	4.23%
Greater than 10 Years	23,398	4.06%
	97,849	4.49%
State and political subdivisions:		
1 - 5 Years	1,297	5.92%*
5 - 10 Years	10,575	5.90%*
Greater than 10 Years	20,713	6.17%*
	32,585	6.02%*
Other investments		
No contractual maturity	4,319	n/a
Total	$ 134,753	4.87%*
HELD TO MATURITY		
State and political subdivisions:		
0 - 1 Year	$ 1,546	5.27%*
1 - 5 Years	1,918	4.81%*
5 - 10 Years	3,271	5.86%*
Greater than 10 Years	514	7.40%*
Total	$ 7,249	5.70%*

* Yield adjusted to a fully taxable equivalent basis using a federal tax rate of 34%.

** Weighted average yields on available for sale securities are based on amortized cost.

Deposits

Peoples offers a full range of interest-bearing and noninterest-bearing deposit accounts, including commercial and retail checking accounts, negotiable orders of withdrawal accounts (which we refer to as NOW accounts), public funds accounts, money market accounts, individual retirement accounts, including Keogh plans with stated maturities, regular interest-bearing statement savings accounts and certificates of deposit with fixed rates and a range of maturity date options. The primary sources of deposits are residents, businesses and employees of businesses within Peoples' market areas obtained through the personal solicitation of Peoples' officers and directors, direct mail solicitations and advertisements published in the local media. From time to time Peoples garners deposits from sources outside of its normal trade areas through the Internet or through brokers. These deposits are short-term in nature and are used to manage Peoples' short-term liquidity position. These

Internet

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deposits and brokered deposits are sometimes considered to be more volatile than deposits acquired in the local market areas. There were no Internet deposits at December 31, 2010 or December 31, 2009. There were $43,194,000 and $59,565,000 of brokered deposits at December 31, 2010 and December 31, 2009, respectively. Traditional brokered time deposits booked through the Depository Trust Company increased $73,000 or 0.3% from $25,048,000 at December 31, 2009 to $25,121,000 at December 31, 2010. Brokered time deposits within the Certificate of Deposit Account Registry Service ("CDARS") decreased $16,444,000 or 47.6% from $34,517,000 at December 31, 2009 to $18,073,000 at December 31, 2010. All of Peoples' deposits under the CDARS program are retail in nature and originate from Peoples' subsidiary banks' customer base. Peoples considers these brokered funds to be an attractive alternative funding source available for use while it continues efforts to maintain and grow its local deposit base.

Peoples pays competitive interest rates on checking, savings, money market, time and individual retirement accounts. In addition, Peoples' subsidiary banks have implemented a service charge fee schedule competitive with other financial institutions in the banks' market areas, covering such matters as maintenance fees on checking accounts, per item processing fees on checking accounts, returned check charges and the like.

Peoples' average deposits in 2010 were $475,780,000 compared to $453,523,000 the prior year, an increase of $22,257,000 or 4.9%. In 2010 the average noninterest-bearing deposits increased approximately $2,561,000 or 5.5%, average interest-bearing checking accounts increased $1,062,000 or 1.7%, average savings accounts increased $332,000 or 3.2%, average money market accounts increased $30,800,000 or 58.4%, average certificates of deposit decreased $16,728,000 or 6.7%, and individual retirement accounts increased $4,230,000 or 13.2%. Competition for deposit accounts is primarily based on the interest rates paid, service charge structure, location convenience and other services offered.

The following table presents, for the years ended December 31, 2010, 2009 and 2008, the average amount of, and average rate paid on, each of the following deposit categories:

	Average Amount (dollars in thousands)			Average Rate Paid		
Deposit Category	**2010**	**2009**	**2008**	**2010**	**2009**	**2008**
Noninterest-bearing Deposits	$ 48,881	$ 46,320	$ 46,778			
Interest-bearing Deposits						
Interest Checking	63,684	62,622	64,239	0.83%	0.75%	1.18%
Savings Deposits	10,659	10,327	9,119	0.30%	0.46%	0.44%
Money Market	83,507	52,707	29,421	1.41%	2.14%	2.48%
Certificates of Deposit	232,828	249,556	252,641	1.95%	2.89%	4.08%
Individual Retirement Accounts	36,221	31,991	30,044	1.68%	3.32%	4.28%

Peoples' core deposit base consists of consumer time deposits less than $100,000, savings accounts, NOW accounts, money market accounts and checking accounts. Although such core deposits are becoming increasingly interest-sensitive for both Peoples and the industry as a whole, such core deposits still continue to provide Peoples with a large and stable source of funds. Core deposits as a percentage of average total deposits averaged approximately 71% in 2010 and 78% in 2009. Peoples closely monitors its reliance on certificates of deposits greater than $100,000, which are generally considered less stable and less reliable than core deposits.

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The following table indicates amounts outstanding of time certificates of deposit of $100,000 or more, excluding IRAs, and respective maturities as of December 31, 2010:

	Time Certificates of Deposit (dollars in thousands)
3 months or less	$ 27,528
4-6 months	28,159
7-12 months	22,527
Over 12 months	26,074
Total	$ 104,288

Return On Equity and Assets

Returns on average consolidated assets and average consolidated equity for the years ended December 31, 2010, 2009 and 2008 are as follows:

	2010	2009	2008
Return on average assets	0.07%	0.06%	(1.51)%
Return on average total equity	0.71%	0.63%	(17.83)%
Return on average common equity	(1.07)%	(0.53)%	(17.83)%
Average equity to average assets ratio	9.85%	9.28%	8.48%
Dividend payout ratio:			
Preferred stock	180.63%	120.31%	(1)
Common stock	(2)	(2)	N/A

(1) Preferred stock was issued in 2009.

(2) No cash dividends were paid on common stock in 2010 or 2009.

Short-Term Borrowings

The following table summarizes Peoples' short-term borrowings for the years ended December 31, 2010, 2009 and 2008. These borrowings consist of federal funds purchased and securities sold under agreements to repurchase, which generally mature on a one-business-day basis.

Year Ended December 31,	Maximum Outstanding at any Month End	Annual Average Balance	Weighted Average Interest Rate	Year End Balance	Weighted Average Interest Rate at Year End
	(dollars in thousands)				
2010:					
Federal funds purchased	$	$ 77	0.64%	$	0.00%
Securities sold under repurchase agreements	$ 16,572	$ 13,809	0.68%	$ 10,362	0.71%
Advances from Federal Home Loan Bank	$ 2,000	$ 154	0.38%	$	0.00%
2009:					
Federal funds purchased	$ 399	$ 226	0.83%	$ 399	0.19%
Securities sold under repurchase agreements	$ 19,671	$ 16,122	0.53%	$ 12,785	0.52%
Advances from Federal Home Loan Bank	$ 49,500	$ 21,315	0.44%	$	0.00%
2008:					

Federal funds purchased	$	4,197	$	649	2.44%	$ 1,028	1.26%
Securities sold under repurchase agreements	$	25,557	$	20,832	1.56%	$ 22,181	0.70%
Advances from Federal Home Loan Bank	$	71,700	$	47,646	3.37%	$ 34,600	0.46%

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Market Risk Interest Rate Sensitivity

Market risk is the risk of loss arising from adverse changes in the fair value of financial instruments due to a change in interest rates, exchange rates and equity prices. Peoples' primary type of market risk is interest-rate risk.

The primary objective of Asset/Liability Management at Peoples is to manage interest-rate risk and achieve reasonable stability in net interest income throughout interest-rate cycles in order to maintain adequate liquidity. Peoples seeks to achieve this objective by maintaining the proper balance of rate-sensitive earning assets and rate-sensitive liabilities. The relationship of rate-sensitive earning assets to rate-sensitive liabilities is the principal factor in projecting the effect that fluctuating interest rates will have on future net interest income. Rate-sensitive assets and rate-sensitive liabilities are those that can be repriced to current market rates within a relatively short time period. Management monitors the rate sensitivity of earning assets and interest-bearing liabilities over the entire life of these instruments, but places particular emphasis on the first year.

Each of Peoples' banking subsidiaries has established an Asset/Liability Management Committee. These committees use a variety of tools to analyze interest-rate sensitivity, including a static gap presentation and a simulation model. A static gap presentation reflects the difference between total interest-sensitive assets and liabilities within certain time periods. While the static gap is a widely used measure of interest rate sensitivity, it is not, in management's opinion, the best indicator of a company's true sensitivity position. Accordingly, Peoples' banking subsidiaries also use an earnings simulation model that estimates the variations in interest income under different interest-rate environments to measure and manage Peoples' subsidiary banks' short-term interest-rate risk. According to the model, as of December 31, 2010 Peoples was positioned so that net interest income would increase by approximately $718,000 over the next twelve months if market interest rates were to rise by 100 basis points at the beginning of the same period. Conversely, net interest income would decline by approximately $127,000 over the next twelve months if interest rates were to decline by 100 basis points at the beginning of the same period. Computation of prospective effects of hypothetical interest-rate changes are based on numerous assumptions, including relative levels of market interest rates and loan prepayment, and should not be relied upon as indicative of actual results. Further, the computations do not contemplate all of the actions Peoples and its customers could undertake in response to changes in interest rates.

Additionally, each of Peoples' banking subsidiaries measures anticipated changes in its economic value of equity in order to ascertain its long-term interest rate risk. This is done by calculating the difference between the theoretical market value of each bank's assets and liabilities and subjecting the balance sheet to different interest-rate environments to measure and manage long-term interest rate risk.

It is the responsibility of the Asset/Liability Committees to establish parameters for various interest risk measures, to set strategies to control interest rate risk within those parameters, to seek adequate and stable net interest income, and to direct the implementation of tactics to facilitate achieving their objectives.

Payment of Dividends

Payment of dividends by Peoples is within the discretion of its Board of Directors subject to certain regulatory requirements. Peoples' primary sources of funds with which to pay dividends to shareholders are the dividends it receives from its subsidiary banks.

The directors of a national bank may declare a dividend of so much of the undivided profits of the bank as the directors judge to be expedient, subject to certain limitations. A national bank may not declare and pay dividends in any year in excess of an amount equal to the sum of the total of the net

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income of the bank for that year and the retained net income of the bank for the preceding two years, minus the sum of any transfers required by the OCC and any transfers required to be made to a fund for the retirement of any preferred stock, unless the OCC approves the declaration and payment of dividends in excess of such amount. The formal agreements with two of Peoples' subsidiary banks require the OCC's prior approval to pay cash dividends.

The payment of dividends by Peoples' subsidiary banks may also be affected or limited by other factors, such as the requirements to maintain adequate capital above regulatory guidelines. 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 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 that provide that bank holding companies and insured banks should generally only pay dividends out of current operating earnings.

Peoples has outstanding shares of Fixed Rate Cumulative Perpetual Preferred Stock, Series T and Series W, which is owned by the United States Department of the Treasury pursuant to its Capital Purchase Program. Peoples declared and paid $690,000 in preferred stock dividends to the United States Department of the Treasury in 2010. The terms of the Preferred Stock limit Peoples' ability to pay common stock dividends or make repurchases of common stock under certain circumstances. Peoples did not pay any cash dividends to its common shareholders in 2010. See Note 16, "Preferred Stock and Restrictions on Dividends," to Peoples' Audited Consolidated Financial Statements for the year ended December 31, 2010 included elsewhere in this proxy statement/prospectus.

Monetary Policies and Effect of Inflation

The earnings of bank holding companies are affected by the policies of regulatory authorities, including the Federal Reserve Board, in connection with its regulation of the money supply. Various methods employed by the Federal Reserve Board include open market operations in U.S. Government securities, changes in the discount rate on member bank borrowings and changes in reserve requirements against member bank deposits. These methods are used in varying combinations to influence overall growth and distribution of bank loans, investments and deposits, and their use may also affect interest rates charged on loans or paid on deposits. The monetary policies of the Federal Reserve Board have had a significant effect on the operating results of commercial banks in the past and are expected to continue to do so in the future.

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

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

Correspondent Banking

Correspondent banking involves the provision of services by one bank to another bank, which cannot provide that service for itself, or chooses not to, from an economic, regulatory or practical standpoint. Peoples' subsidiary banks purchase correspondent services offered by larger banks, including check collections, the sale and purchase of federal funds, security safekeeping, investment services, over-line and liquidity loan participations and sales of loans to or participations with correspondent banks.

Peoples' subsidiary banks have the option to sell loan participations to correspondent banks with respect to loans that exceed Peoples' subsidiary banks' lending limits. Managements of Peoples' subsidiary banks have established correspondent banking relationships with South Carolina Bank and Trust, N.A., Columbia, South Carolina; CenterState Bank, N.A., Winter Haven, Florida; Community Bankers Bank, Midlothian, Virginia; and Wells Fargo Bank, N.A., Charlotte, North Carolina. As compensation for services provided by correspondents, Peoples' subsidiary banks may maintain certain balances with such correspondents in non-interest bearing accounts.

Data Processing

Peoples has a data-processing department, which performs a full range of data-processing services for its subsidiary banks. Such services include an automated general ledger, deposit accounting, loan accounting and data processing.

Regulatory Considerations

Bank holding companies and banks are extensively regulated under federal and state law. To the extent that the following information describes statutory and regulatory provisions, it is qualified in its entirety by reference to such statutes and regulations. Any change in applicable law or regulation may have a material effect on the business of Peoples and Peoples' subsidiary banks.

General

Peoples and its subsidiary banks operate in a highly regulated environment, and their business activities are governed by statute, regulation, and administrative policies, and supervised by a number of federal regulatory agencies, including the Federal Reserve Board, the OCC and the FDIC. Peoples is also subject to limited regulation by the South Carolina State Board of Financial Institutions. The following discussion summarizes some of the relevant aspects of the laws and regulations that affect Peoples and its subsidiary banks. It is important to note that these laws and regulations are intended primarily for the benefit and protection of Peoples' subsidiary banks' depositors and the Depository Insurance Fund, and not for the protection of Peoples' shareholders or creditors. Proposals to change the laws and regulations that govern the banking industry are frequently raised in Congress, state legislatures, and various bank regulatory agencies, and such proposals have significantly increased in the wake of the recent financial crisis.

Financial institutions are being subjected to increased scrutiny and enforcement activity by state and federal banking agencies, the United States Department of Justice, the Securities and Exchange Commission, and other state and federal regulatory agencies. This increased scrutiny and enforcement activity entails significant potential increases in compliance requirements and associated costs. The banking regulators periodically examine Peoples and its subsidiary banks to assess compliance with applicable requirements and the level of risk existing with respect to Peoples' and its subsidiary banks' capital, asset quality, management, earnings, liquidity and sensitivity to market risk. When the results of examinations are less than satisfactory, the regulators are authorized to require Peoples and its subsidiary banks to take appropriate corrective actions through the mechanisms of agreements with Peoples or its subsidiary banks, or through enforcement orders. The regulators also have the power to

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enforce compliance with laws, regulations, regulatory policies and agreements as well as regulatory orders by the imposition of civil money penalties.

Regulation of Peoples by the Federal Reserve Board and State Board

Peoples is regulated by the Federal Reserve Board under the Federal Bank Holding Company Act of 1956, as amended, or BHC Act. Under the BHC Act, a bank holding company is generally prohibited from acquiring control of any company that is not a bank or engaged in permissible activities and from engaging in any business other than the business of banking or managing and controlling banks. However, there are certain activities which have been identified by the Federal Reserve Board to be so closely related to banking as to be a proper incident thereto, and are thus permissible for bank holding companies, directly or through subsidiaries, including the following activities: acting as an investment or financial advisor to subsidiaries and certain outside companies; leasing personal and real property or acting as a broker with respect thereto; providing management consulting advice to nonaffiliated banks and non-bank depository institutions; operating collection agencies and credit bureaus; acting as a futures commission merchant; providing data processing and data transmission services; acting as an insurance agent or underwriter with respect to limited types of insurance; performing real estate appraisals; arranging commercial real estate equity financing; providing securities brokerage services; and underwriting and dealing in obligations of the United States of America, the states and their political subdivisions.

A bank holding company may engage in a broader range of activities if it becomes a "financial holding company" pursuant to the Gramm-Leach-Bliley Act, which is described below under the caption "Gramm-Leach-Bliley Act." Although Peoples elected to become a financial holding company as of June 23, 2000, neither Peoples nor its subsidiary banks used any of the additional powers, and in 2008 Peoples changed its status back to that of a bank holding company. Accordingly, the following discussion relates to the supervisory and regulatory provisions that apply to Peoples and its subsidiary banks as they currently operate.

The BHC Act also requires every bank holding company to obtain the prior approval of the Federal Reserve Board before acquiring more than 5% of the voting shares of any bank or all or substantially all of the assets of a bank, and before merging or consolidating with another bank holding company.

As noted above, Peoples also is subject to limited regulation by the State Board. Consequently, Peoples must give notice to, or receive the approval of, the State Board pursuant to applicable law and regulations prior to engaging in the acquisition of South Carolina banking institutions or holding companies, or merging with a South Carolina bank holding company. Peoples also may be required to file with the State Board periodic reports with respect to its financial condition and operation, management and inter-company relations between Peoples and its subsidiaries.

Obligations of Peoples to its Subsidiary Banks

A number of obligations and restrictions are imposed on bank holding companies and their depository institution subsidiaries by Federal law and regulatory policy that are designed to reduce potential loss exposure to the depositors of such depository institutions and to the FDIC insurance funds in the event the depository institution is in danger of becoming insolvent or is insolvent. For example, under the policy of the Federal Reserve Board and the Dodd-Frank Act, 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 might not do so absent such policy. 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 Deposit Insurance Fund of the FDIC as a

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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 may decline to enforce the cross guarantee provisions if it determines that a waiver is in the best interest of the Deposit Insurance Fund. 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 gives depositors a preference over general and subordinated creditors and shareholders in the event a receiver is appointed to distribute the assets of any of Peoples' subsidiary 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 to the extent necessary, 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.

Certain Transactions by Peoples with its Affiliates

Federal law regulates transactions among Peoples and its affiliates, including the amount of its subsidiary banks' loans to or investments in nonbank affiliates and the amount of advances to third parties collateralized by securities of an affiliate. Further, a bank holding company and its affiliates are prohibited from engaging in certain tie in arrangements in connection with any extension of credit, lease or sale of property or furnishing of services.

Capital Adequacy Guidelines for Bank Holding Companies and National Banks

Both Peoples and its subsidiary banks are subject to regulatory capital requirements imposed by the Federal Reserve Board and the OCC. These requirements define what qualifies as capital and establish minimum capital standards in relation to assets and off-balance sheet exposures, as adjusted for credit risks. In addition, the OCC may establish individual minimum capital requirements for a national bank that are different from the general requirements. Failure to meet capital guidelines could subject Peoples' subsidiary banks to a variety of enforcement remedies, ranging, for example, from a prohibition on the taking of brokered deposits to the termination of deposit insurance by the FDIC and placing Peoples' subsidiary banks in receivership.

The risk-based capital standards of both the Federal Reserve Board and the OCC explicitly identify concentrations of credit risk and the risk arising from non-traditional activities, as well as an institution's ability to manage these risks, as important factors to be taken into account by the agencies in assessing an institution's overall capital adequacy. The capital guidelines also provide that an institution's exposure to a decline in the economic value of its capital due to changes in interest rates should be considered by the agencies as a factor in evaluating a bank's capital adequacy. The Federal Reserve Board also has issued additional capital guidelines for bank holding companies that engage in certain trading activities.

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Bank regulators have continued to indicate their desire to raise capital requirements beyond current levels. Under the Dodd-Frank Act, regulatory authorities are required to impose new capital requirements on bank holding companies, which may be higher than current levels. However, management of Peoples is unable to predict when any such higher capital requirements would be imposed, and if so, at what levels, and the total impact of such requirements on Peoples.

Peoples and each of its subsidiary banks exceeded all applicable capital requirements at December 31, 2010. The OCC currently requires that all three of Peoples' bank subsidiaries maintain the following minimum capital ratios: Tier-1 capital of at least 8% of adjusted total assets, Tier-1 capital of at least 10% of risk-weighted assets, and total risk-based capital of at least 12% of risk-weighted assets.

Payment of Dividends

Peoples is a legal entity separate and distinct from Peoples' subsidiary banks. Most of the revenues of Peoples are expected to continue to result from dividends paid to Peoples by its subsidiary banks. There are statutory and regulatory requirements applicable to the payment of dividends by subsidiary banks as well as by Peoples to its shareholders.

Regulation of Peoples' Subsidiary Banks

As national banks, Peoples' subsidiary banks are subject to supervision by the OCC and, to a limited extent, the FDIC, the Federal Reserve Board and the Consumer Financial Protection Bureau. With respect to expansion, the banks may establish branch offices anywhere in the United States with the prior approval of the OCC. In addition, the banks are subject to various other state and federal laws and regulations, including state usury laws, laws relating to fiduciaries, consumer credit and laws relating to branch banking. The banks' loan operations are subject to certain federal consumer credit laws and regulations promulgated thereunder, including, but not limited to, the federal Truth-In-Lending Act, governing disclosures of credit terms to consumer borrowers; the Home Mortgage Disclosure Act, requiring financial institutions to provide certain information concerning their mortgage lending; the Equal Credit Opportunity Act and the Fair Housing Act, prohibiting discrimination on the basis of certain prohibited factors in extending credit; and the Fair Debt Collection Act, governing the manner in which consumer debts may be collected by collection agencies. The deposit operations of the banks are subject to the Truth in Savings Act, requiring certain disclosures about rates paid on savings accounts; the Expedited Funds Availability Act, which deals with disclosure of the availability of funds deposited in accounts and the collection and return of checks by banks; the Right to Financial Privacy Act, which imposes a duty to maintain confidentiality of consumer financial records and the Electronic Funds Transfer Act and regulations promulgated thereunder, 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. The banks are also subject to the Fair Credit Reporting Act, governing the use and provision of information to credit reporting agencies; the Bank Secrecy Act, dealing with, among other things, the reporting of certain currency transactions; and the USA Patriot Act, dealing with, among other things, requiring the establishment of anti-money laundering programs including standards for verifying customer information at account opening.

Peoples' subsidiary banks are also subject to the requirements of the Community Reinvestment Act. The Community Reinvestment Act imposes on financial institutions an affirmative and ongoing obligation to meet the credit needs of their local communities, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of those institutions. Each financial institution's actual performance in meeting community credit needs is evaluated as part of the examination process, and also is considered in evaluating mergers, acquisitions and applications to open a branch or facility.

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Loans and extensions of credit by national banks are subject to legal lending limitations. Under federal law, a national bank may grant unsecured loans and extensions of credit in an amount up to 15% of its unimpaired capital, surplus and allowance for loan losses to any person or entity. In addition, a national bank may grant loans and extensions of credit to a single person up to 10% of its unimpaired capital, surplus and allowance for loan losses, provided that the transactions are fully secured by readily marketable collateral having a market value determined by reliable and continuously available price quotations. This 10% limitation is separate from, and in addition to, the 15% limitation for unsecured loans. Loans and extensions of credit may exceed the general lending limits if they qualify under one of several exceptions. Such exceptions include, among others, certain loans or extensions of credit arising from the discount of commercial or business paper, the purchase of banker's acceptances, loans secured by documents of title, loans secured by U.S. obligations and loans to or guaranteed by the federal government.

As national banks, Peoples' subsidiary banks are subject to examinations and reviews by the OCC. These examinations are typically completed on site, and the banks are subject to off-site review as well. The banks also submit to the FDIC quarterly reports of condition, as well as such additional reports as the national banking laws may require.

FDIC Insurance Assessments

During the first quarter of 2009, the FDIC announced a special one-time emergency assessment. Peoples' bank subsidiaries paid $247,000 on September 30, 2009 for the one-time emergency assessment. On November 12, 2009, the FDIC Board of Directors adopted a final rule requiring insured depository institutions to prepay their quarterly risk-based deposit insurance assessment for all of 2010, 2011 and 2012. On December 31, 2009, Peoples' subsidiary banks paid $3,981,000 for these quarterly assessments, of which $3,517,000 was booked as a prepaid expense. The FDIC also voted to adopt a uniform three-basis point increase in assessment rates effective January 1, 2011.

In November 2010, the FDIC approved two proposals that amend the deposit insurance assessment regulations. The first proposal implements a provision in the Dodd-Frank Act that changes the assessment base from one based on domestic deposits (as it has been since 1935) to one based on assets. The assessment base changes from adjusted domestic deposits to average consolidated total assets minus average tangible equity. The second proposal changes the deposit insurance assessment system for large institutions in conjunction with the guidance given in the Dodd-Frank Act. Since the new base would be much larger than the current base, the FDIC will lower assessment rates, which achieves the FDIC's goal of not significantly altering the total amount of revenue collected from the industry. Risk categories and debt rating will be eliminated from the assessment calculation for large banks which will instead use scorecards. The scorecards will include financial measures that are predictive of long-term performance. A large financial institution will continue to be defined as an insured depository institution with at least $10 billion in assets. Both changes in the assessment system will be effective as of April 1, 2011, and assessments will be payable at the end of September. In December 2010, the FDIC voted to increase the required amount of reserves for the designated reserve ratio to 2.0%. The ratio is higher than the 1.35% set by the Dodd-Frank Act in July 2010 and is an integral part of the FDIC's comprehensive, long-range management plan for the DIF. In February 2011, the FDIC approved the final rules that, as noted above, change the assessment base from domestic deposits to average assets minus average tangible equity, adopt a new score-card based assessment system for financial institutions with more than $10 billion in assets, and finalize the designated reserve ratio target size at 2.0% of insured deposits.

On December 29, 2010 the Dodd-Frank Act was amended to include full FDIC insurance on Interest on Lawyers Trust Accounts ("IOLTAs"). IOLTAs will receive unlimited insurance coverage as non-interest bearing transaction accounts for two years ending December 31, 2012.

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Other Safety and Soundness Regulations

Prompt Corrective Action. The federal banking agencies have broad powers under current federal law to take prompt corrective action to resolve problems of insured depository institutions. The extent of these powers depends upon whether the institutions in question are "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized" or "critically undercapitalized."

A bank that is "undercapitalized" becomes subject to the prompt corrective action provisions of the FDIA: restricting payment of capital distributions and management fees; requiring the FDIC to monitor the condition of the bank; prohibiting the acceptance of employee benefit plan deposits; requiring submission by the bank of a capital restoration plan; restricting the growth of the bank's assets; and requiring prior approval of certain expansion proposals. A bank that is "significantly undercapitalized" is additionally subject to restrictions on compensation paid to senior management of the bank. A bank that is "critically undercapitalized" is further subject to restrictions on the activities of the bank and restrictions on payments of subordinated debt of the bank and is required to be placed in receivership within 90 days absent certain extenuating circumstances. The purpose of these provisions is to require banks with less than adequate capital to act quickly to restore their capital and to have the FDIC move promptly to take over banks that are unwilling or unable to take such steps.

Under current FDIC regulations, "well capitalized" banks may accept brokered deposits without restriction, "adequately capitalized" banks may accept brokered deposits with a waiver from the FDIC (subject to certain restrictions on payment of rates), while "undercapitalized" banks may not accept brokered deposits. The regulations provide that the definitions of "well capitalized," "adequately capitalized" and "undercapitalized" are the same as the definitions adopted by the agencies to implement the prompt corrective action provisions described in the previous paragraph.

Pursuant to formal agreements with the OCC, neither Bank of Anderson, N.A. nor The Peoples National Bank may accept brokered deposits without the prior written advice of "no supervisory objection" from the Assistant Deputy Comptroller.

Interstate Banking

Under the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, Peoples, and any other adequately capitalized bank holding company located in South Carolina can acquire a bank located in any other state, and a bank holding company located outside South Carolina can acquire any South Carolina-based bank, in either case subject to certain deposit percentages and other restrictions. The Dodd-Frank Act discussed below expanded the provisions of the Riegle-Neal Act relating to authority of banks to branch across state lines. Under the Dodd-Frank Act, the authority of a bank to establish and operate branches within a state continues to be subject to applicable state branching laws, but interstate branching is permitted to the same extent it would be permitted under state law if the branching bank's home office were located in the state in which the branch will be located.

The Riegle-Neal Act, together with legislation adopted in South Carolina, resulted in a number of South Carolina banks being acquired by large out-of-state bank holding companies. Size gives the larger banks certain advantages in competing for business from larger customers. These advantages include higher lending limits and the ability to offer services in other areas of South Carolina and the region. As a result, Peoples does not generally attempt to compete for the banking relationships of large corporations and businesses, but concentrates its efforts on small to medium-sized businesses and on individuals. Peoples believes it has competed effectively in this market segment by offering quality, personal service.

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Gramm-Leach-Bliley Act

The Gramm-Leach-Bliley Act expanded the activities in which a bank holding company and a bank can engage through affiliations created under a holding company structure or through a financial subsidiary if certain conditions are met. Significantly, the permitted financial activities for financial holding companies include authority to engage in merchant banking and insurance activities, including insurance portfolio investing. The Act also established a minimum federal standard of privacy to protect the confidentiality of a consumer's personal financial information and gives the consumer the power to choose how personal financial information may be used by financial institutions. The regulations adopted pursuant to the Act govern the consumer's right to opt-out of further disclosure of nonpublic personal financial information and require Peoples' subsidiary banks to provide initial and annual privacy notices. The Act and regulations also required Peoples' subsidiary banks to develop and maintain comprehensive plans for the safeguarding of customer information, which encompasses all aspects of the banks' technological environment, business practices, and facilities.

As noted previously, although Peoples initially took advantage of the opportunity to become a financial holding company so that it would have power to offer expanded services, neither Peoples nor its subsidiary banks used the additional power, and in 2008 Peoples reverted its status back to that of a bank holding company. Although the Act has increased competition from larger financial institutions that are currently more capable than Peoples of taking advantage of the opportunity to provide a broader range of services, Peoples continues to believe that its commitment to providing high-quality, personalized service to customers will permit it to remain competitive in its market area.

Governmental Response to 2008 Financial Crisis

During the fourth quarter of 2008 and continuing throughout 2009 the FDIC, the Federal Reserve Board, the Department of the Treasury and Congress took a number of actions designed to alleviate or correct mounting problems in the financial services industry. A number of these initiatives were directly applicable to community banks.

Congress enacted the Emergency Economic Stabilization Act of 2008 which, among other things, temporarily increased the maximum amount of FDIC deposit insurance from $100,000 to $250,000 and created a Troubled Assets Relief Program administered by the United States Department of the Treasury. In October 2008, Treasury announced a Capital Purchase Program ("CPP") under TARP to increase the capital of healthy banks. Under the CPP, Treasury purchased preferred stock with warrants from qualified banks and bank holding companies in an amount up to 3% of the seller's risk-weighted assets as of September 30, 2008. Peoples filed an application which received approval, and in 2009 Peoples sold preferred stock and warrants to the Treasury for $12,660,000.

The FDIC also implemented in October 2008 a Temporary Liquidity Guarantee Program consisting of a deposit insurance component pursuant to which it undertook to provide deposit insurance in an unlimited amount for non-interest bearing transaction accounts, and a debt guarantee component pursuant to which it undertook to fully guarantee senior, unsecured debt issued by banks or bank holding companies. Coverage of both components was automatic until December 5, 2008, at which time covered institutions could opt out of one or both of the components. Institutions not opting out would be charged fees for their participation in the components. Peoples' subsidiary banks did not opt out of either component.

An unfortunate consequence of the difficulties that have beset the banking industry since the latter part of 2008 has been a large increase in bank failures, which has led to substantial claims being made against the FDIC's Deposit Insurance Fund. In order to increase the amount in the DIF to reflect the increased risk of additional bank failures and insurance claims, the FDIC raised its assessments on banks for 2009, issued a special one-time assessment of 5 cents per $100 of assessable deposits paid in September, 2009 based on deposits at June 30, 2009, and adopted a final rule requiring insured

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depository institutions to prepay their quarterly risk-based deposit insurance assessments through 2012 on December 31, 2009. Peoples' subsidiary banks paid FDIC insurance in the amount of $4,814,000 in 2009 and expensed $1,297,000 in 2009. Peoples' subsidiary banks expensed $1,095,000 for FDIC insurance in 2010.

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010

On July 21, 2010 the President signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (which we refer to as the Dodd-Frank Act), which significantly changes the regulation of financial institutions and the financial services industry. The Dodd-Frank Act will have extensive effects on all financial institutions, and includes provisions that will affect how community banks, thrifts, and small bank and thrift holding companies will be regulated in the future. Among other things, these provisions abolish the Office of Thrift Supervision and transfer its functions to the other federal banking agencies, relax rules regarding interstate branching, allow financial institutions to pay interest on business checking accounts, change the scope of federal deposit insurance coverage, and impose new capital requirements on bank and thrift holding companies. The Dodd-Frank Act also establishes the Bureau of Consumer Financial Protection as an independent entity within the Federal Reserve Board, which will be given the authority to promulgate consumer protection regulations applicable to all entities offering consumer financial services or products, including banks. Additionally, the Dodd-Frank Act includes a series of provisions covering mortgage loan origination standards affecting originator compensation, minimum repayment standards, and pre-payments.

The Dodd-Frank Act requires regulatory agencies to implement new regulations that will establish the parameters of the new regulatory framework and provide a clearer understanding of the legislation's effect on banks. Peoples is in the process of evaluating this legislation and determining the impact it will have on Peoples' current and future operations. However, the manner and degree to which it affects Peoples' business will be significantly impacted by the implementing regulations that are ultimately adopted. Accordingly, at the present time Peoples cannot fully assess the impact that the act will have, though Peoples is confident it will increase the cost of doing business and the time spent by management on regulatory compliance matters.

Legislative Proposals

Proposed legislation that could significantly affect the business of banking is introduced in Congress and the General Assembly of South Carolina from time to time. For example, numerous bills are pending in Congress and the South Carolina Legislature to provide various forms of relief to homeowners from foreclosure of mortgages as a result of publicity surrounding economic problems resulting from subprime mortgage lending and the economic adjustments in national real estate markets. Broader problems in the financial sector of the economy, which became apparent in 2008, have led to numerous calls for, and legislative and regulatory proposals for, restructuring of the regulation of financial institutions. Management of Peoples cannot predict the future course of such legislative proposals or their impact on Peoples and its subsidiary banks should they be adopted.

Description of Property

Peoples' corporate office is located at 1818 East Main Street in Easley, South Carolina. The property consists of a three-story brick building containing approximately 10,670 square feet on 0.665 acres of land owned by The Peoples National Bank. This building houses Peoples' support functions, including administration, accounting, financial reporting, human resources, marketing, risk management, internal audit, compliance, facilities management, security and purchasing. Peoples also utilizes an adjacent office building located at 1814 East Main Street in Easley, South Carolina. This property consists of a two-story brick building containing approximately 6,624 square feet on 0.566 acres of land owned by The Peoples National Bank. This building houses Peoples' support functions including

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operations, data processing, and information technology. The Peoples National Bank also owns an adjacent office building located at 1824 East Main Street in Easley, South Carolina. The property consists of approximately 6,600 square feet of office space located in a one-story brick building containing approximately 9,000 square feet on 0.704 acres of land. The Peoples National Bank is using portions of this facility as office space and file storage, and a portion is currently being leased to a tenant.

The main office of The Peoples National Bank is located at 1800 East Main Street in Easley, South Carolina, adjacent to Peoples' corporate office. This property consists of a two-story brick building of approximately 10,412 square feet, which is constructed on 1.75 acres of land owned by The Peoples National Bank. Improvements include a three-lane drive-through teller installation, vault, night depository, safe-deposit facilities and a drive-through automated teller machine.

The Peoples National Bank owns and operates four branch facilities: one in Powdersville, South Carolina located at 4 Hood Road approximately seven miles east of The Peoples National Bank's main office containing approximately 3,158 square feet in a one-story brick building situated on 0.812 acres of land; a second branch office in Pickens, South Carolina located at 424 Hampton Avenue approximately ten miles west of The Peoples National Bank's main office containing approximately 6,688 square feet in a two-story building on 0.925 acres of land; a third branch office in Easley located at 1053 Pendleton Street approximately two miles west of The Peoples National Bank's main office containing approximately 3,523 square feet in a one and one-half story building situated on l.077 acres of land; and a fourth branch office in Greenville, South Carolina located at 45 East Antrim Drive approximately thirteen miles east of The Peoples National Bank's main office containing approximately 7,000 square feet in a two-story brick building situated on 1.321 acres of land. All branch facilities have improvements including drive-through teller installations, drive-through automated teller machines, vault, night depository and safe deposit facilities. The Peoples National Bank closed a branch office in Greenville, South Carolina located at 300 Mills Avenue on November 11, 2010.

The main office of Bank of Anderson, N.A. is located at 201 East Greenville Street in Anderson, South Carolina. The property consists of a two-story brick building containing approximately 11,696 square feet, which is constructed on 1.935 acres of land owned by Bank of Anderson, N.A. Improvements include a three-lane drive-through teller installation, vault, night depository, safe-deposit facilities and a drive-through automated teller machine. Bank of Anderson, N.A. owns and operates one branch facility in Anderson County, South Carolina located at 1434 Pearman Dairy Road approximately five miles northwest of Bank of Anderson's main office containing approximately 3,036 square feet in a one-story brick building situated on 0.86 acres of land. The branch facility has improvements including a drive-through teller installation, drive-through automated teller machine, vault, night depository and safe deposit box facilities. Bank of Anderson owns a 0.99 acre lot, without improvements, on Highway 81 North in Anderson County, South Carolina for the purpose of building an additional branch facility in the future.

Seneca National Bank, located at 201 By-Pass 123, Seneca, South Carolina, operates out of a two-story brick building containing approximately 6,688 square feet situated on 1.097 acres of land in Seneca, South Carolina, which is owned by Seneca National Bank.

All locations of the Peoples' and each of Peoples' three subsidiary banks are considered suitable and adequate for their intended purposes. Peoples' management believes that insurance coverage on all Peoples' properties is adequate.

Legal Proceedings

Peoples is subject to various legal proceedings and claims that arise in the ordinary course of its business. In the opinion of Peoples' management based on consultation with external legal counsel, the outcome of any currently pending litigation is not expected to materially affect Peoples' consolidated financial position or results of operations. See also "The Merger Litigation Relating to the Merger."

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THE MERGER

The following discussion contains certain information about the merger. The discussion is subject, and qualified in its entirety by reference, to the merger agreement attached as Annex A to this proxy statement/prospectus. We urge you to read carefully this entire proxy statement/prospectus, including the merger agreement attached as Annex A, for a more complete understanding of the merger.

Terms of the Merger

Each of SCBT's and Peoples' respective boards of directors have approved the merger agreement. The merger agreement provides for the merger of Peoples with and into SCBT, with SCBT continuing as the surviving entity. In the merger, each share of Peoples common stock, par value $1.11 per share, issued and outstanding immediately prior to the completion of the merger, except for specified shares of Peoples common stock held by Peoples or SCBT, will be converted into the right to receive 0.1413 of a share of SCBT common stock. Immediately following the merger, The Peoples National Bank, Bank of Anderson, N.A. and Seneca National Bank, each a wholly-owned bank subsidiary of Peoples, will merge with SCBT, N.A., a wholly-owned bank subsidiary of SCBT, with SCBT, N.A. continuing as the surviving bank. No fractional shares of SCBT common stock will be issued in connection with the merger, and holders of Peoples common stock will be entitled to receive cash in lieu thereof.

Peoples shareholders are being asked to approve the merger agreement. See "The Merger Agreement" for additional and more detailed information regarding the legal documents that govern the merger, including information about the conditions to the completion of the merger and the provisions for terminating or amending the merger agreement.

Background of the Merger

Each of SCBT's and Peoples' boards of directors has from time to time engaged with its respective senior management in reviews and discussions of potential strategic alternatives, and has considered ways to enhance its performance and prospects in light of competitive and other relevant developments. Over the last few years, these reviews have focused on the volatile industry and economic conditions and have involved discussion of potential strategic initiatives intended to best position the respective companies to anticipate and respond to such conditions.

Various senior officers and directors of Peoples and SCBT have known each other over many years through their prior employment, trade group involvement, and civic activities. SCBT, N.A., has been a correspondent bank for Peoples' subsidiary banks since 2006. In early 2009, representatives of Peoples and SCBT discussed the possibility of a merger, but terminated their discussions when the turmoil in the financial markets became more pronounced. After the termination of those discussions in February 2009, Peoples and SCBT stayed in touch with each other about various business matters.

In late August and September, 2011, SCBT reinitiated contact with Peoples and communicated interest in a potential strategic business combination transaction, and representatives of SCBT and Peoples began to engage in high level preliminary due diligence.

Thereafter, in November 2011, representatives of SCBT contacted Peoples to discuss the possibility of SCBT making a presentation to the Peoples board of directors regarding the possibility of a strategic business combination transaction. SCBT and Peoples agreed to hold a meeting on December 7, 2011. Also during this period, the parties began conducting more comprehensive mutual due diligence.

On November 29, 2011, the Peoples board of directors met and received a presentation from Peoples' outside financial advisor, Scott & Stringfellow LLC ("Scott & Stringfellow"), in which the condition of the southeastern United States merger market and the value that Peoples' shareholders might be able to achieve in a merger were reviewed. Scott & Stringfellow also reviewed with the board the challenges that Peoples could expect to face if it remained independent, including challenges related to increasing regulatory burdens and overhead expense, Peoples' ability to increase capital to

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support growth and redeem its preferred stock held by the United States Department of the Treasury before the dividend on such stock increased from five percent to nine percent and Peoples' ability to compete against larger, better capitalized institutions.

On December 6, 2011, SCBT's board of directors held a special meeting and discussed the status of the discussions with Peoples. In the course of that meeting, SCBT's board of directors received presentations from management. Following a full discussion among the SCBT directors, the board approved the transaction as described in that meeting and authorized and directed a special transaction committee of SCBT, consisting of the Chief Executive Officer, the Chairman of the Board and the Chairman of the Audit Committee of the Board, and SCBT management to continue negotiations with Peoples and its representatives towards reaching a definitive merger agreement regarding such a strategic business combination.

On December 7, 2011, the Peoples board of directors met and received a presentation from SCBT's Chief Executive Officer and Chief Operating Officer. The SCBT representatives outlined an indicative proposal regarding a merger of Peoples with and into SCBT in which each of the outstanding shares of Peoples common stock would be converted into 0.1325 shares of SCBT common stock having a value, based on the then recent trading prices of SCBT common stock, of approximately $3.75 per share of Peoples common stock. The presentation included a review of the recent history of SCBT highlighting recent organic growth and acquisitions, its growth strategy for the future and how Peoples and its employees would fit into that strategy. SCBT's Chief Executive Officer expressed his belief that SCBT had been able to display leadership in the midst of turbulent economic times, as evidenced by its ability both to raise capital and redeem SCBT's preferred stock held by the United States Department of the Treasury and by SCBT's relative historical common stock performance during this period, and to execute acquisitions by giving thoughtful consideration to, and exercising discipline with respect to, proposed transactions. He also discussed certain financial aspects of SCBT's performance, including its performance in relation to some comparable institutions. A representative of Scott & Stringfellow attended the presentation and met with the Peoples board of directors after the presentation had concluded and the SCBT officers had left. The Scott & Stringfellow representative advised the board that the presentation had been consistent with the information available to Scott & Stringfellow and that the consideration offered was within the range Scott & Stringfellow had expected. The board excused the Scott & Stringfellow representative and discussed the proposal. Peoples' Chairman of the Board of Directors was directed to advise SCBT that the board was favorably inclined to the proposal but believed that the consideration would need to be raised in order to move forward in discussions.

Following the meeting, Peoples' Chairman discussed SCBT's indicative proposal with SCBT's Chief Executive Officer. During the course of such discussions, Peoples' Chairman indicated that in order to proceed with discussions regarding a potential transaction, the Peoples board of directors would require an increase in the stock consideration over the level initially communicated by SCBT. On December 8, 2011, SCBT presented a revised proposal regarding a potential merger, including an increased indicative exchange ratio level of 0.1413 shares of SCBT common stock for each share of Peoples common stock, representing approximately $4.00 per share of Peoples common stock based on the then-recent trading price of SCBT common stock.

On December 8, 2011, representatives of Wachtell, Lipton, Rosen & Katz ("Wachtell Lipton"), special counsel to SCBT, provided Haynsworth Sinkler Boyd ("Haynsworth"), counsel to Peoples, with a draft merger agreement. Over the next several days, representatives of Wachtell Lipton and Haynsworth discussed the terms and conditions set forth in the draft merger agreement, including, among other things, the treatment of the Peoples equity awards and provisions related to the conditions to closing under and termination of the merger agreement. During this time, representatives of Peoples and representatives of SCBT engaged in a number of additional due diligence conversations.

On December 9, 2011, the Peoples board of directors met again with its outside financial advisor and its legal counsel to consider the SCBT proposal. Scott & Stringfellow made a presentation which

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summarized the financial matters associated with the proposed transaction and included comparisons to certain publicly traded companies similar to SCBT and Peoples, an analysis of recently completed mergers and acquisitions similar to the merger, an analysis of the estimated future earnings and terminal value of Peoples and other analyses relevant to the financial terms of the merger. The presentation also described a model used to estimate the impact of the proposed transaction on SCBT and on hypothetical alternative acquirors identified by Scott & Stringfellow. Scott & Stringfellow explained that their analysis showed that hypothetical alternative acquirors would, in their view, not be willing to engage in an equivalent or better transaction, or would be expected to offer lesser consideration than the value of the consideration in the proposed SCBT transaction. Scott & Stringfellow advised the Peoples board of directors that the transaction appeared, on a preliminary basis, to be fair to Peoples' shareholders from a financial standpoint. Haynsworth outlined for the board the terms of a draft definitive merger agreement that had been received from SCBT. During a break, Peoples' Chairman spoke with SCBT's Chief Executive Officer by phone in an attempt to increase the consideration to be received by the Peoples shareholders and to propose certain other modifications, including relating to the termination fee, to the preliminary offer. SCBT's Chief Executive Officer indicated that SCBT was unwilling to make such changes at that time and that its continued interest in a transaction was contingent upon reaching a signed merger agreement on the existing terms of the proposal in the near term. The Chairman informed the Peoples board of directors of these matters and the board of directors voted to continue negotiation of the terms of the definitive merger agreement and authorized the board's Executive Committee to work with management and Peoples' counsel to negotiate the terms.

During the week of December 12, 2011, Peoples' management and legal counsel negotiated the final terms of the merger agreement with SCBT's management and legal counsel.

On December 14, 2011, Haynsworth reviewed with the Executive Committee of the Peoples' board of directors the terms of the most recent draft of the merger agreement and a copy of the most recent draft was distributed to all of the members of the Peoples board of directors on December 15, 2011.

On December 15, 2011, the Executive Committee of SCBT's board of directors held a regularly-scheduled meeting. At the meeting, senior management of SCBT and a representative from Wachtell Lipton discussed the status of the potential transaction with Peoples and reviewed a summary of the terms and conditions set forth in the draft merger agreement.

On Friday, December 16, 2011, the Peoples board of directors met and heard an updated presentation by Scott & Stringfellow which discussed the basis for Scott & Stringfellow's opinion that the proposed merger transaction was fair from a financial point of view to Peoples' shareholders. The Scott & Stringfellow presentation also contained an analysis of the hypothetical proposals other potential acquirors would be able, or would likely be willing, to make, and concluded that the SCBT proposal was superior to any proposal the other potential acquirors could be expected to make. Haynsworth reviewed the terms of the most recent draft of the merger agreement with the board of directors, as well as resolutions to approve and authorize the signing of the merger agreement and the submission of the merger agreement to Peoples' shareholders for approval with the board's recommendation that the shareholders vote for approval of the merger agreement. After discussion, Peoples' board of directors voted to adopt the resolutions and approve the signing of the merger agreement.

Thereafter, on Monday evening, December 19, 2011, the merger agreement was executed by officers of SCBT and Peoples, and, before market open on December 20, 2011, SCBT and Peoples issued a joint press release announcing the execution of the agreement and the terms of the proposed acquisition of Peoples by SCBT.

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Peoples' Reasons for the Merger; Recommendation of Peoples' Board of Directors

After careful consideration, at its meetings on November 29, 2011, December 7, 2011, December 9, 2011, December 14, 2011 (Executive Committee), and December 16, 2011, Peoples' board of directors determined that the plan of merger contained in the merger agreement is in the best interests of Peoples and its shareholders and that the consideration to be received in the merger is fair to the common shareholders of Peoples. Accordingly, Peoples' board of directors adopted and approved the merger agreement and unanimously recommends that Peoples shareholders vote "FOR" the approval of the merger agreement.

In reaching its decision to adopt and approve the merger agreement and recommend the merger to its shareholders, Peoples' board of directors consulted with Peoples' management, as well as its legal and financial advisors, and considered a number of positive factors, including the following material factors:

- Its knowledge of Peoples' business, operations, financial condition, earnings and prospects, and of SCBT's business, operations, financial condition, earnings and prospects, taking into account the presentations of SCBT officers, the results of Peoples' due diligence review of SCBT and information provided by Scott & Stringfellow.

- Its knowledge of the current environment in the financial services industry, including national, regional and local economic conditions, continued consolidation, increased regulatory burdens, evolving trends in technology and increasing nationwide and global competition, the current financial market conditions, and the likely effects of these factors on the companies' potential growth, development, productivity, profitability and strategic options, and the historical market prices of Peoples and SCBT common shares.

- The careful review undertaken by Peoples' board of directors and management, with the assistance of Peoples' financial advisors, with respect to the strategic challenges and alternatives available to Peoples, if it remained an independent community bank.

- The complementary aspects of the Peoples and SCBT businesses, including customer focus, geographic coverage, business orientation and compatibility of the companies' management and operating styles.

- Its understanding of SCBT's commitment to enhancing its strategic position in the State of South Carolina.

- The potential expense-saving and revenue-enhancing opportunities in connection with the merger, the related potential impact on the combined company's earnings and the fact that the nature of the merger consideration would allow former Peoples shareholders to participate as SCBT shareholders in the benefits of such savings opportunities and the future performance of the combined company generally.

- The terms of the merger agreement, and the presentation by Peoples' outside legal advisors regarding the merger and the merger agreement.

- The prospect of Peoples' shareholders becoming shareholders of a company with a long history of paying cash dividends.

- SCBT's successful track record and Peoples' board of directors' belief that the combined enterprise would benefit from application of SCBT's ability to take advantage of economies of scale and grow in the current economic environment, making SCBT an attractive partner for Peoples.

The oral opinion delivered to Peoples by Scott & Stringfellow on December 16, 2011, which was subsequently confirmed in a written opinion delivered to Peoples by Scott & Stringfellow, to the effect that, as of December 16, 2011, and based upon and subject to the assumptions,

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procedures, considerations, qualifications, and limitations set forth in the opinion, the exchange ratio under the merger agreement was fair, from a financial point of view, to the holders of shares of Peoples common stock.

The financial terms of the merger, including the fact that, based on the closing price of SCBT common stock on the NASDAQ Global Market as of market close on December 15, 2011 (the trading day prior to Peoples' board of directors' decision), the implied value of the per share merger consideration represented an approximate 184% premium to the last quoted sales price of Peoples common stock on the OTC Bulletin Board as of that date.

Its belief that the proposed merger with SCBT would generally be a tax-free transaction to Peoples' shareholders with respect to the SCBT common stock to be received by Peoples' shareholders in the merger.

The regulatory and other approvals required in connection with the merger and its determination as to the likelihood that the approvals needed to complete the merger would be obtained without unacceptable conditions.

The fact that holders of Peoples common stock who do not vote in favor of the merger agreement and who comply with all other applicable statutory procedures for asserting dissenters' rights will be entitled to exercise dissenters' rights and be paid the fair value of their shares under South Carolina law.

Peoples' board of directors also considered potential risks and potentially negative factors concerning the merger in connection with its deliberations of the proposed transaction, including the following material factors:

The potential risk that a further downturn in the South Carolina housing market could negatively impact SCBT's loan portfolio, and thereby affect the value of the SCBT common stock.

The potential risk of diverting management focus and resources from other strategic opportunities and from operational matters while working to implement the merger.

The provisions of the merger agreement restricting Peoples' solicitation of third-party acquisition proposals and providing for the payment of a termination fee in certain circumstances, which Peoples' board of directors understood, while potentially limiting the willingness of a third party to propose a competing business combination transaction with Peoples, were a condition to SCBT's willingness to enter into the merger agreement.

The fact that some of Peoples' directors and executive officers have other interests in the merger that are different from, or in addition to, their interests as Peoples shareholders. See " Interests of Peoples Directors and Executive Officers in the Merger."

The possibility that the merger could be announced but not consummated, and the possibility that Peoples could lose customers and business as a result of announcing the transaction.

The possibility that the required regulatory and other approvals might not be obtained.

The foregoing recitation of the factors considered by Peoples' board of directors is not intended to be exhaustive, but is believed to include substantially all material factors considered by Peoples' board of directors. In view of the wide variety of the factors considered in connection with its evaluation of the merger and the complexity of these matters, Peoples' board of directors did not find it useful, and did not attempt, to quantify, rank or otherwise assign relative weights to these factors. In considering the factors described above, the individual members of Peoples' board of directors may have given different weight to different factors. Peoples' board of directors conducted an overall analysis of the factors described above including thorough discussions with, and questioning of, Peoples management and Peoples' legal and financial advisors, and considered the factors overall to be favorable to, and to support, its determination.

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The foregoing explanation of Peoples' board of directors' reasoning and all other information presented in this section is forward-looking in nature and, therefore, should be read in light of the factors discussed in the section entitled "Cautionary Statement Concerning Forward-Looking Statements."

Opinion of Scott & Stringfellow, LLC

Scott & Stringfellow is acting as financial advisor to Peoples in connection with the merger. Scott & Stringfellow is a leading full-service, middle market investment banking firm with substantial experience in transactions similar to the merger and is familiar with Peoples and its business. As part of its investment banking business, Scott & Stringfellow is continually engaged in the valuation of community banks and their securities in connection with mergers and acquisitions.

On December 16, 2011, Peoples' board of directors held a special meeting to review and approve the merger agreement. At that meeting, Scott & Stringfellow rendered an oral opinion, and delivered a written opinion, that as of that date and based upon and subject to the factors and assumptions set forth in its fairness opinion presentation and letter, the consideration to be paid in connection with the merger was fair to Peoples' shareholders from a financial point of view. The opinion has been reviewed and approved by Scott & Stringfellow's Investment Banking Valuation Committee.

The full text of Scott & Stringfellow's written opinion is attached as Annex B to this proxy statement/prospectus. The opinion outlines matters considered and qualifications and limitations on the review undertaken by Scott & Stringfellow in rendering its opinion. The description of the opinion set forth below is qualified in its entirety by reference to the full text of the opinion. Peoples' Shareholders are urged to read the entire opinion carefully in connection with their consideration of the merger.

No limitations were imposed by Peoples on the scope of Scott & Stringfellow's investigation or the procedures to be followed by Scott & Stringfellow in rendering its opinion. Scott & Stringfellow's opinion is based on the financial and comparative analyses described below. Scott & Stringfellow's opinion is solely for the information of, and directed to, Peoples' board of directors for its information and assistance in connection with the board of directors' consideration of the financial terms of the merger and is not to be relied upon by any shareholder of Peoples or SCBT or any other person or entity. Scott & Stringfellow's opinion was not intended to be, nor does it constitute, a recommendation to Peoples' board of directors as to how the board of directors should vote on the merger or to any shareholder of Peoples as to how any such shareholder should vote at the special meeting at which the merger is considered, or whether or not any shareholder of Peoples should enter into a voting, shareholders' or affiliates' agreement with respect to the merger, or exercise any dissenters' rights that may be available to such shareholder. In addition, Scott & Stringfellow's opinion does not compare the relative merits of the merger with any other strategic alternative or business strategy which may have been available to Peoples and does not address the underlying business decision of Peoples' board of directors to proceed with or effect the merger.

In rendering its opinion, Scott & Stringfellow reviewed, analyzed, and relied upon, among other things:

- The merger agreement and meetings and discussions with members of senior management of Peoples regarding the material terms of the merger agreement;

- Certain publicly available financial statements and other historical financial information of SCBT that Scott & Stringfellow deemed relevant and meetings and discussions regarding the same with members of senior management of SCBT;

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- Certain publicly available and non-publicly available financial statements and other historical financial information of Peoples that Scott & Stringfellow deemed relevant and meetings and discussions regarding the same with members of senior management of Peoples;

- Internal financial forecasts for Peoples related to the business, earnings, cash flows, assets and prospects of Peoples for the years ending December 31, 2011 through 2016 prepared by Scott & Stringfellow under the guidance of senior management of Peoples (which we refer to as the forecasts);

- The estimated pro forma financial impact of the merger on SCBT, based on assumptions relating to, without limitation, transaction expenses, purchase accounting adjustments, one-time contract expenses, cost savings, and certain synergies determined by and reviewed with the senior management of Peoples and discussed summarily with the senior management of SCBT;

- The historical market prices and trading activity for SCBT common stock and a comparison of certain financial and stock market information for SCBT and Peoples with similar publicly-traded companies which Scott & Stringfellow deemed to be relevant;

- The proposed financial terms of the merger and a comparison of such terms with the financial terms, to the extent publicly available, of certain recent business combinations in the banking industry which Scott & Stringfellow deemed to be relevant;

- The relative contribution of Peoples and SCBT with regard to certain assets, liabilities, earnings, and capital;

- The current market environment generally and the banking environment in particular;

- A discounted cash flow valuation of Peoples based upon the forecasts; and

- Such other information, financial studies, analyses and investigations, and financial, economic and market criteria as Scott & Stringfellow deemed appropriate.

In conducting its review and arriving at its opinion, Scott & Stringfellow relied upon and assumed the accuracy and completeness of all of the financial and other information provided to or otherwise made available to Scott & Stringfellow or that was discussed with, or reviewed by or for Scott & Stringfellow, or that was publicly available. Scott & Stringfellow did not assume any responsibility to verify such information independently. Scott & Stringfellow assumed that the financial and operating forecasts for SCBT and Peoples provided by the management of each respective institution were reasonably prepared and reflected the best currently available estimates and judgments of senior management of each respective institution as to the future financial and operating performance of SCBT and Peoples. Scott & Stringfellow assumed, without independent verification, that the aggregate allowances for loan and lease losses for SCBT and Peoples were adequate to cover those losses. Scott & Stringfellow did not make or obtain any evaluations or appraisals of any assets or liabilities of SCBT or Peoples and Scott & Stringfellow did not examine any other books and records or review individual credit files.

For purposes of rendering its opinion, Scott & Stringfellow assumed that, in all respects material to its analyses:

- the merger will be completed substantially in accordance with the terms set forth in the merger agreement;

- the representations and warranties of each party in the merger agreement and in all related documents and instruments referred to in the merger agreement are true and correct;

each party to the merger agreement and all related documents will perform all of the covenants and agreements required to be performed by such party under such documents;

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- all conditions to the completion of the merger will be satisfied without any waivers; and

- in the course of obtaining the necessary regulatory, contractual, or other consents or approvals for the merger, no restrictions, including any divestiture requirements or amendments or modifications will be imposed that may have a material adverse effect on the future results of operations or financial condition of SCBT, Peoples, or the combined entity, as the case may be, or the contemplated benefits of the merger.

Scott & Stringfellow further assumed that the merger will be accounted for as a purchase under generally accepted accounting principles. Scott & Stringfellow's opinion is not an expression of an opinion as to the prices at which shares of SCBT common stock will trade following the announcement of the merger or the prices at which SCBT common stock will trade following the completion of the merger.

In performing its analyses, Scott & Stringfellow made assumptions with respect to industry performance, general business, economic, market and financial conditions, and other matters, many of which are beyond the control of Scott & Stringfellow, SCBT, and Peoples. Any estimates contained in the analyses performed by Scott & Stringfellow are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than suggested by these analyses. Accordingly, these analyses and estimates are inherently subject to substantial uncertainty. In addition, the Scott & Stringfellow opinion was among several factors taken into consideration by the Peoples board of directors in making its determination to approve the merger agreement and the merger. Consequently, the analyses described below should not be viewed as solely determinative of the decision of the Peoples board of directors with respect to the fairness of the merger consideration.

Summary of Analyses by Scott & Stringfellow

The following is a summary of the material analyses presented by Scott & Stringfellow to the Peoples board of directors on December 16, 2011, in connection with Scott & Stringfellow's written opinion. The summary is not a complete description of the analyses underlying the Scott & Stringfellow opinion or the presentation made by Scott & Stringfellow to the Peoples board of directors, but summarizes the material analyses performed and presented in connection with such opinion. The preparation of a fairness opinion is a complex analytic process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. Therefore, a fairness opinion is not readily susceptible to partial analysis or summary description. In arriving at its opinion, Scott & Stringfellow did not attribute any particular weight to any analysis or factor that it considered, but rather made qualitative judgments as to the significance and relevance of each analysis and factor. The financial analyses summarized below include information presented in tabular format. Scott & Stringfellow believes that its analyses and the summary of its analyses must be considered as a whole and that selecting portions of its analyses or focusing on the information presented below in tabular format, without considering all analyses and factors or the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the process underlying its analyses and opinion. The tables alone are not a complete description of the financial analyses.

Transaction Overview

Scott & Stringfellow reviewed the financial terms of the merger agreement, including the consideration to be received by Peoples' shareholders. For every share of Peoples stock held, Peoples' shareholders will receive 0.1413 shares of SCBT's common stock. Based on the 30-day trailing average stock price per share of SCBT common stock and the offered exchange ratio of 0.1413 shares of SCBT common stock, Scott & Stringfellow calculated a base transaction value of approximately $28.4 million.

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For purposes of this summary, including the Transaction Multiples table below, "Price" shall mean $4.00 per share of Peoples common stock. Additionally, SCBT intends to repurchase and redeem PBCE's outstanding shares of Series T and Series W preferred stock from the U.S. Treasury either concurrently with or immediately after consummation of the merger. Completion of the transaction is subject to Peoples shareholder approval, required regulatory approvals and other conditions.

Transaction Pricing Multiples

Scott & Stringfellow calculated the following transaction multiples:

Transaction Multiples (Peoples balance sheet data as of 9/30/2011)	
Price / Last Twelve Months' Reported Earnings per Share ($0.18)	22.2x
Price / Book Value per Share ($6.39)	62.6%
Price / Tangible Book Value per Share ($6.39)	62.6%
Price / Total Assets per Share ($76.82)	5.2%
Price / Total Deposits per Share ($66.47)	6.0%
Tangible Book Premium / Core Deposits(1)	(4.7)%
Premium to Stock Price (1-Day Prior to Announcement)	196.3%

(1) Core Deposits are defined as total deposits less jumbo CDs (CDs with balances greater than $100,000)

Selected Peer Group Analysis

Scott & Stringfellow reviewed and compared publicly available financial data, market information, and trading multiples for Peoples with other selected publicly traded companies that Scott & Stringfellow deemed relevant and comparable to Peoples. The peer group consisted of certain select publicly traded banks and thrifts headquartered in South Carolina, North Carolina, Virginia and Georgia with assets as of the most recent quarter reported between approximately $100.0 million and $1.3 billion (20 companies). The peer group excluded institutions identified as the target of a publicly announced merger as of December 13, 2011.

Name (Ticker):	**Name (Ticker):**
1st Financial Services Corporation (FFIS)	Independence Bancshares, Inc. (IEBS)
Carolina Bank Holdings, Inc. (CLBH)	Palmetto Bancshares, Inc. (PLMT)
CNB Corporation (CNBW)	Park Sterling Corporation (PSTB)
Community Financial Corporation (CFFC)	Provident Community Bancshares, Inc. (PCBS)
Community First Bancorporation (CFOK)	Savannah Bancorp, Inc. (SAVB)
First Community Corporation (FCCO)	Security Federal Corporation (SFDL)
First Reliance Bancshares, Inc. (FSRL)	Southcoast Financial Corporation (SOCB)
First South Bancorp, Inc. (FSBS)	Southern First Bancshares, Inc. (SFST)
GrandSouth Bancorporation (GRRB)	Tidelands Bancshares, Inc. (TDBK)
Greer Bancshares Incorporated (GRBS)	Village Bank and Trust Financial Corp. (VBFC)

For the selected publicly traded companies, Scott & Stringfellow analyzed, among other things, stock price as a multiple of last twelve months' earnings per share, estimated 2011 and 2012 earnings per share, book value per share, and tangible book value per share. All multiples were based on closing stock prices as of December 13, 2011. Projected earnings per share for the comparable companies were based on FactSet consensus estimates. FactSet is an information provider that publishes, among other things, a compilation of estimates of projected financial performance for publicly traded commercial banks produced by equity research analysts at leading investment banking firms. The following table sets forth the minimum, median and maximum operating metrics, valuation multiples and market

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capitalization indicated by the market analysis of selected publicly traded companies. This analysis resulted in a range of imputed values for Peoples of between $0.19 and $6.70 per share based on the median multiples for the peer group.

		Peoples Peer Group		
Operating Metrics ($ in millions)	**Peoples**	**Minimum**	**Median**	**Maximum**
Total Assets	$ 545.9	$ 113.1	$ 558.1	$ 1,248.5
Loans / Deposits	64.48%	54.03%	81.96%	126.76%
NPAs + 90 DDQ / Assets(1)	5.98%	2.18%	7.71%	20.09%
Tangible Common Equity / Tangible Assets	8.31%	0.25%	5.86%	29.98%
LTM Core ROAA	0.33%	(4.05)%	(0.92)%	0.51%
LTM Core ROAE	3.31%	(87.04)%	(8.17)%	7.06%
LTM Efficiency Ratio	62.40%	56.14%	72.94%	129.83%
Price (as of December 13, 2011) to:				
Book value per share	20.9%	3.0%	37.2%	94.2%
Tangible book value per share	20.9%	3.0%	37.2%	94.2%
LTM earnings per share	7.5x	6.6x	11.4x	37.2x
2011E earnings per share	5.3x	NM	NM	NM
2012E earnings per share	4.4x	NM	NM	NM
Market capitalization (as of December 13, 2011)	$ 9.5	$ 0.2	$ 8.8	$ 117.7
Dividend Yield	0.00%	0.00%	0.00%	3.56%

(1) NPAs are defined as nonaccrual loans and leases, nonaccrual and accruing renegotiated loans and leases, and other real estate owned

Scott & Stringfellow also reviewed and compared publicly available financial data, market information, and trading multiples for SCBT with other selected publicly traded companies that Scott & Stringfellow deemed relevant and comparable to SCBT. The peer group consisted of certain select publicly traded commercial banks headquartered in the southeastern U.S. with assets as of the most recent quarter reported between $1 and $5 billion (15 companies). The peer group excluded commercial banks identified as the target of a publicly announced merger as of December 13, 2011.

Name (Ticker):	**Name (Ticker):**
BNC Bancorp (BNCN)	Southeastern Bank Financial Corporation (SBFC)
CenterState Banks, Inc. (CSFL)	Southern BancShares (N.C.), Inc. (SBNC)
Citizens South Banking Corporation (CSBC)	StellarOne Corporation (STEL)
First Bancorp (FBNC)	TowneBank (TOWN)
Home BancShares, Inc. (HOMB)	Union First Market Bankshares Corporation (UBSH)
NewBridge Bancorp (NBBC)	Wilson Bank Holding Company (WBHC)
Pinnacle Financial Partners, Inc. (PNFP)	Yadkin Valley Financial Corporation (YAVY)
Renasant Corporation (RNST)	

For the selected publicly traded companies, Scott & Stringfellow analyzed, among other things, stock price as a multiple of last twelve months' earnings per share, estimated 2011 and 2012 earnings per share, book value per share and tangible book value per share. All multiples were based on closing stock prices as of December 13, 2011. Projected earnings per share for the comparable companies were based on FactSet consensus estimates. The following table sets forth the minimum, median, and maximum operating metrics, valuation multiples, and market capitalization indicated by the market

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analysis of selected publicly traded companies. This analysis resulted in a range of imputed values for SCBT of between $8.01 and $41.58 per share based on the median multiples for the peer group.

		SCBT Peer Group		
Operating Metrics ($ in millions)	**SCBT**	**Minimum**	**Median**	**Maximum**
Total Assets	$ 3,935.5	$ 1,099.0	$ 2,197.8	$ 4,868.9
Loans / Deposits	87.59%	59.86%	83.85%	89.90%
NPAs + 90 DDQ / Assets(1)	2.43%	0.92%	3.25%	5.56%
Tangible Common Equity / Tangible Assets	7.95%	4.02%	7.47%	11.09%
LTM Core ROAA	0.27%	(0.76)%	0.42%	0.85%
LTM Core ROAE	2.89%	(9.23)%	3.42%	9.30%
LTM Efficiency Ratio	73.19%	46.03%	64.41%	83.11%
Price (as of December 13, 2011) to:				
Book value per share	99.3%	35.0%	65.2%	147.3%
Tangible book value per share	123.5%	36.6%	80.4%	173.1%
LTM earnings per share	20.5x	7.5x	14.9x	21.0x
2011E earnings per share	27.1x	11.8x	18.0x	37.1x
2012E earnings per share	13.7x	10.2x	13.3x	21.0x
Market capitalization (as of December 13, 2011)	$ 379.2	$ 31.8	$ 171.4	$ 682.4
Dividend Yield	2.51%	0.00%	1.11%	4.86%

(1) NPAs are defined as nonaccrual loans and leases, nonaccrual and accruing renegotiated loans and leases, and other real estate owned

No company used in the analyses described above is identical to Peoples, SCBT or the pro forma combined company. Accordingly, an analysis of the results of the foregoing necessarily involves complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the merger, public trading or other values of the companies to which Peoples, SCBT or the pro forma combined company are being compared. In addition, mathematical analyses, such as determining the median, are not of themselves meaningful methods of using comparable company data.

Selected Transaction Analysis

Scott & Stringfellow reviewed and analyzed certain financial data related to eighteen completed bank and thrift mergers and acquisitions announced between January 1, 2010 and December 13, 2011. These transactions involved target banks and thrifts based in the United States with the following characteristics:

- Total assets, for the most recent quarter reported, of between $100 million to $1 billion and

- Ratio of nonperforming assets plus 90 DDQ to total assets, for the most recent quarter reported, between 5.0% - 10.0% (DDQ is defined as nonaccrual loans and leases, nonaccrual and accruing renegotiated loans and leases, and other real estate owned)

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Those transactions (listed by closing date in order from pending to oldest) were as follows:

Acquiror:	**Target:**
Piedmont Community Bank Holdings, Inc.	Crescent Financial Corporation
Park Sterling Corporation	Community Capital Corporation
FNB United Corp.	Bank of Granite Corporation
Wintrust Financial Corporation	Elgin State Bancorp, Inc.
Customers Bancorp Inc.	Berkshire Bancorp, Inc.
SKBHC Holdings LLC	Bank of the Northwest
SKBHC Holdings LLC	Sunrise Bank
CBM Florida Holding Company	First Community Bank of America
IBERIABANK Corporation	Omni Bancshares, Inc.
Old Line Bancshares, Inc.	Maryland Bankcorp, Inc.
Stonegate Bank	Southwest Capital Bancshares, Inc.
Private Investor Merton Allan Lund	First Midwest Bank
Investor group	West Michigan Community Bank
Grandpoint Capital, Inc.	First Commerce Bancorp
Jacksonville Bancorp, Inc.	Atlantic BancGroup, Inc.
TLCM Holdings, LLC	EJ Financial Corporation
Roma Financial Corporation (MHC)	Sterling Banks, Inc.
Apollo Bancshares, Inc.	Union Credit Bank

For the purpose of this analysis, transaction multiples from the merger were derived from the Price (as defined above) and financial data as of September 30, 2011 for Peoples. Scott & Stringfellow compared these transaction multiples with the transaction multiples implied by the selected transactions listed above. The results of Scott & Stringfellow's calculations and the analysis are set forth in the following table. This analysis resulted in a range of imputed values for Peoples of between $0.27 and $8.57 per share based on the median transaction multiples for the peer group.

		Selected Transactions		
($ in millions)	**SCBT / Peoples Transaction**	**Minimum**	**Median**	**Maximum**
Target Assets	$ 545.9	$ 112.6	$ 281.2	$ 973.0
Target NPAs + 90 DDQ / Assets(1)	5.98%	5.19%	6.67%	9.75%
Target LTM ROAA	0.33%	(6.84)%	(1.94)%	0.30%
Target LTM ROAE	3.31%	(100.83)%	(21.18)%	3.14%
Deal Price / Book Value	62.6%	10.4%	73.5%	130.4%
Deal Price / Tangible Book Value	62.6%	10.4%	74.6%	134.2%
Deal Price / Last Twelve Months' Reported EPS	22.2x	NM	NM	NM
Deal Price / Assets	5.2%	0.4%	6.1%	12.4%
Deal Price / Deposits	6.0%	0.4%	6.0%	13.9%
Premium to Stock Price (1-Day Prior to Announcement)	196.3%	(49.6)%	25.9%	55.2%

(1) NPAs are defined as nonaccrual loans and leases, nonaccrual and accruing renegotiated loans and leases, and other real estate owned

No company or transaction used as a comparison in the above analysis is identical to SCBT, Peoples or the merger. Accordingly, an analysis of these results involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies.

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Discounted Cash Flow and Terminal Value Analysis of Peoples

Scott & Stringfellow performed an analysis that estimated a future stream of earnings of Peoples assuming that Peoples performed in accordance with the earnings projections provided by Peoples management. A dividend discount analysis was not conducted given that Peoples does not currently pay a dividend, nor does Peoples management forecast paying a dividend at this time. For 2011 through 2016, Scott & Stringfellow worked with Peoples' management to estimate a future stream of earnings. The projection model maintains an adequate capital level (8% minimum equity to average asset ratio) to support the estimated growth. These projections did not reflect any attempt to redeem or repurchase Peoples' outstanding shares of Series T and Series W preferred stock from the U.S. Treasury. To approximate a terminal value of Peoples common stock at December 31, 2016, Scott & Stringfellow applied a range of 12.0x to 16.0x price / earnings multiples to Peoples' estimated fiscal year December 31, 2016 earnings, the result of which we believe adequately quantifies a present value of all earnings generated beyond the projected period as of December 31, 2016. The potential dividend income streams and terminal values were then discounted to present values using different discount rates ranging from 12.0% to 16.0%, chosen to reflect different assumptions regarding required rates of return to the holders of Peoples common stock. As illustrated in the following table, this analysis indicated an imputed range of values per share of Peoples common stock of $3.27 to $4.68 when applying the 12.0x - 16.0x price / earnings multiples range for calculating the terminal values. A discounted cash flow analysis was included because it is a widely used valuation methodology, but the results of such methodology are highly dependent upon the numerous assumptions that must be made, including earnings growth rates, asset growth rates, terminal multiples and discount rates.

			Terminal Value EPS Multiple		
Discount Rate	**12.0x**	**13.0x**	**14.0x**	**15.0x**	**16.0x**
12.0%	$3.81	$4.02	$4.24	$4.46	$4.68
13.0%	$3.66	$3.87	$4.08	$4.29	$4.50
14.0%	$3.53	$3.73	$3.93	$4.13	$4.33
15.0%	$3.40	$3.59	$3.78	$3.97	$4.16
16.0%	$3.27	$3.46	$3.64	$3.82	$4.01

Contribution Analysis

Scott & Stringfellow analyzed the relative contribution of each of SCBT and Peoples to certain pro forma balance sheet and income statement items of the combined company following the merger. Scott & Stringfellow compared the relative contribution of balance sheet and income statement items

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with the estimated pro forma ownership percentage Peoples' shareholders would represent in SCBT pro forma. The results of Scott & Stringfellow's analysis are set forth in the following table:

Category	**SCBT**	**Peoples**
LTM Pre-Tax, Pre-Provision Earnings	93.1%	6.9%
2011E Net Income	88.6%	11.4%
2012E Net Income	88.1%	11.9%
Total Assets	87.8%	12.2%
Net Loans	90.5%	9.5%
Deposits	88.8%	11.2%
Shareholders' Equity	86.7%	13.3%
Tangible Equity	84.0%	16.0%
Average Contribution	91.0%	9.0%
Implied Stock Ownership (100% stock)	93.3%	6.7%

Financial Impact Analysis

Scott & Stringfellow performed pro forma merger analyses that combined projected income statement and balance sheet information of both SCBT and Peoples. Assumptions regarding the accounting treatment, acquisition adjustments, and cost savings were used to calculate the financial impact that the merger would have on certain projected financial results of the pro forma company. This Scott & Stringfellow analysis indicated that the merger is expected to be accretive to SCBT's estimated 2012 through 2014 earnings per share and slightly dilutive to pro forma September 30, 2011 book value and tangible book value per share. This analysis was based on financial projections and certain merger assumptions (including estimated cost savings and one-time charges) provided by and reviewed with senior management of Peoples. For all of the above analyses, the actual results achieved by the pro forma company following the merger will vary from the projected results, and the variations may be material.

Other Analyses

Scott & Stringfellow compared the relative financial and market performance of SCBT to a variety of relevant industry peer groups and indices.

Scott & Stringfellow has not expressed an opinion about the fairness of the amount or nature of compensation that any of the Peoples officers, directors or employees, or any class of such person, may receive relative to the consideration offered to Peoples' shareholders.

Miscellaneous

In the ordinary course of its business as a broker-dealer, Scott & Stringfellow may from time to time purchase securities from, and sell securities to, Peoples and SCBT, and as a market maker in securities, Scott & Stringfellow may from time to time have a long or short position in, and buy, sell, or hold equity securities of Peoples and SCBT for its own account and for the accounts of its customers.

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Peoples and Scott & Stringfellow have entered into an engagement relating to the services to be provided by Scott & Stringfellow in connection with the merger. Peoples paid to Scott & Stringfellow (i) a non-refundable retainer of $15,000 at the time of engagement, (ii) a $100,000 fairness opinion fee which was delivered in conjunction with the execution of the merger agreement and will pay Scott & Stringfellow (iii) $200,000 at the closing of the merger. Pursuant to the Scott & Stringfellow engagement agreement, Peoples has also agreed to reimburse Scott & Stringfellow for reasonable out-of-pocket expenses and disbursements incurred in connection with its engagement. During the three-year period ended December 31, 2011, Scott & Stringfellow did not receive any other fees or compensation from either Peoples or SCBT.

SCBT's Reasons for the Merger

SCBT believes that the acquisition of Peoples will complement SCBT's geographic footprint and its growth strategy, including by enabling it to strengthen its South Carolina footprint in the Upstate area of South Carolina, particularly since Peoples has a strong reputation in this market and its management team has long-term expertise in depository banking and consumer, commercial, installment and real estate lending. SCBT's board of directors approved the merger agreement after SCBT's senior management discussed with SCBT's board of directors a number of factors, including those described above and the business, assets, liabilities, results of operations, financial performance, strategic direction and prospects of Peoples. SCBT's board of directors did not consider it practicable to, and did not attempt to, quantify or otherwise assign relative weights to the specific factors it considered in reaching its determination. SCBT's board of directors viewed its position as being based on all of the information and the factors presented to and considered by it. In addition, individual directors may have given different weights to different information and factors.

Interests of Peoples' Directors and Executive Officers in the Merger

In considering the recommendation of Peoples' board of directors that you vote to approve the merger agreement, you should be aware that some of Peoples' executive officers and directors have financial interests in the merger that are different from, or in addition to, those of Peoples shareholders generally. The independent members of Peoples' board of directors were aware of and considered these interests, among other matters, in evaluating and negotiating the merger agreement and the merger, and in recommending to the shareholders that the merger agreement be approved. For purposes of all of Peoples' arrangements and plans described below, the completion of the transactions contemplated by the merger agreement will constitute a change in control.

Equity-Based Awards

Equity or equity-based awards held by Peoples' executive officers and directors will be treated at the effective time of the merger as follows:

Peoples Options. The directors and executive officers of Peoples held options to purchase an aggregate of 37,913 shares of common stock as of February 23, 2012. Each Peoples option that is outstanding immediately prior to the effective time of the merger, whether vested or unvested, will be converted into an obligation of SCBT to pay each holder an amount equal to the product of (i) the applicable per share Black-Scholes amount and (ii) the number of shares of common stock subject to the Peoples option.

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The following table sets forth the total number of Peoples options held by each of the executive officers of Peoples as well as by all non-employee directors of Peoples, as a group, and the number of those options that are outstanding as of February 23, 2012.

	Total Options (#)	Options outstanding at February 23, 2012 (#)	Estimated Value of Payment for Options in Connection with the Merger ($)
L. Andrew Westbrook, III	16,214	16,214	2,765
William B. West	0	0	0
Robert E. Dye, Jr.	6,567	6,567	40
R. Riggie Ridgeway	0	0	0
Directors (as a group)	15,132	15,132	19,404

Peoples Restricted Shares. The executive officers of Peoples have been granted an aggregate of 16,000 Peoples restricted shares which are outstanding as of February 23, 2012. As of the effective time, each Peoples restricted share will vest in full, become free of all restrictions and the holder of Peoples restricted shares will receive the merger consideration for each such Peoples restricted share.

The following table sets forth the number of Peoples restricted shares that are held by each of the executive officers of Peoples as of February 23, 2012, all of which will vest at the effective time of the merger. None of Peoples' non-employee directors hold Peoples restricted shares.

	Outstanding Restricted Shares of Peoples Common Stock that Vest in the Merger (#)	Value of Outstanding Restricted Shares of Peoples Common Stock Rights that Vest in the Merger ($)
L. Andrew Westbrook, III	10,000	46,205
William B. West	3,000	13,861
Robert E. Dye, Jr.	3,000	13,861
R. Riggie Ridgeway	0	0

Employment Agreements between Peoples and each of Messrs. Westbrook and West

The employment agreements by and between Peoples and each of Messrs. Westbrook and West provide for base salary, annual performance-based cash compensation opportunity and stock-based awards as determined by the board of directors or pursuant to applicable incentive or benefit plans. Each of the employment agreements provide for a lump sum cash payment upon a change in control that is equal to three times the executive's base salary and a pro rata portion of the prior year's annual bonus (not to exceed an amount that would result in such payments being considered excess parachute payments as defined in Section 280G of the Code and the imposition of a federal excise tax pursuant to Section 4999 of the Code). The employment agreements also provide for the immediate vesting of all outstanding incentive awards and stock options upon a change in control.

Employment Agreements between SCBT and certain senior managers of Peoples

SCBT currently contemplates entering into employment agreements with certain senior managers of Peoples with respect to continued employment following the closing of the merger. However, as of the date hereof, no terms of any such agreements have been agreed.

Salary Continuation Agreements

Each of Messrs. Westbrook, West and Dye have entered into salary continuation agreements that provide that if their respective employment with Peoples is terminated at the later of age 65 or upon separation from service, Peoples pays an annual benefit of 15% of the executive's final pay. The agreements define "final pay" as the executive's highest annualized base salary (before reduction for

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compensation deferred pursuant to all qualified, non-qualified, and Internal Revenue Code Section 125 plans) from the three years prior to separation from service, including the year separation from service occurs. This benefit is to be distributed in 12 equal monthly installments for a period of 15 years, commencing on the first day of the month following retirement. This benefit is referred to as the normal retirement benefit.

The agreements with each of Messrs. Westbrook, West, and Dye provide that upon the consummation of a change in control, the participants are fully vested in their amounts under the salary continuation agreements (single trigger vesting). As currently drafted, the salary continuation agreements provide that upon a separation of service following a change in control, Peoples is required to pay the executives 100% of 15% of their final pay (as defined above) increased by 4% annually until the executive reaches age 65. According to the terms of the salary continuation agreements (which are subject to amendment), this benefit is to be distributed in 12 equal monthly installments for a period of 15 years, commencing on the first day of the month following the executive reaching age 65.

Mr. Ridgeway, Peoples' retired Chief Executive Officer, is also party to a salary continuation agreement, which provides him with an annual benefit of 35% of his final pay (as defined above). Mr. Ridgeway is fully vested in the deferred compensation provided pursuant to his salary continuation agreement, and he retired prior to the merger. Accordingly, the change in control does not provide for enhanced benefits for Mr. Ridgeway pursuant to his salary continuation agreement.

It is currently contemplated that the salary continuation agreements will be terminated in connection with the closing of the merger and the present value of the vested amounts under the salary continuation agreements, which were agreed to at the time of the execution of the merger agreement, will be paid out in a lump sum.

Quantification of Payments and Benefits to the Peoples Named Executive Officers

The following table sets forth the amount of payments and benefits that each Peoples named executive officer would receive in connection with the merger, assuming the merger was completed on February 23, 2012 and that each of the named executive officers incurred a severance-qualifying termination on such date. These payments and benefits are the subject of an advisory (non-binding) vote of Peoples shareholders, as described below under "   Advisory (Non-Binding) Vote on Compensation."

Name (a)	Cash ($)(b)(1)	Equity ($)(c)(2)	Pension/ NQDC ($)(d)(3)	Perquisites/ Benefits ($)(e)	Tax Reimbursement ($)(f)	Other ($)(g)(4)	Total ($)(h)(5)
L. Andrew Westbrook, III	784,200	48,970	270,376	0	0	10,000	1,113,546
William B. West	610,800	13,861	186,776	0	0	5,000	816,437
Robert E. Dye, Jr.	0	13,901	123,701	0	0	5,000	142,602
R. Riggie Ridgeway	0	0	0	0	0	0	0

(1) The amounts in this column represent single trigger payments (the payment is made on the completion of the merger and no other action is required for the vesting and payment) pursuant to the employment agreements between Peoples and each of Messrs. Westbrook and West.

(2) The amounts in this column include the value of the accelerated vesting of outstanding restricted shares and the Black-Scholes value of outstanding stock options held by named executive officers as of the closing date of the merger. The Black-Scholes value is calculated based on assumptions agreed upon between the parties and the inputs as of February 23, 2012. The Black-Scholes value will change based on changes to the inputs prior to the closing date.

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(3)

Net present value of future payments under the individual salary continuation agreements with each of the named executive officers using a 5% discount rate. Amounts represent the value accelerated vesting of a portion of the benefits under the salary continuation agreements upon the closing date of the merger. Mr. Ridgeway is fully vested and there will be acceleration of vesting with respect to his salary continuation agreement. The amounts disclosed in this column remain under discussion and may be higher or lower than the actual amounts. The payments in this column are single trigger (the amounts under the salary continuation agreement vest upon the completion of the merger and no other action) and do not require the named executive officer to terminate employment in order to vest in the benefit.

(4)

The amounts in this column represent deal bonuses to be paid by SCBT to the named executive officers other than Mr. Ridgeway at the closing of the merger, subject to continued employment through such date.

(5)

The amounts in this column may be reduced if any portion of such amounts constitute "excess parachute payments" under Section 280G of the Code. The amounts will be reduced to an amount which is $1.00 less than the maximum amount that could be paid to such named executive officer without the compensation being treated as an excess parachute payment. It is anticipated that the amounts in this column for Messrs. Westbrook and West will be reduced as a result of the Section 280G cutback described above.

The employment agreements with each of Messrs. Westbrook and West provide that, for a period of twenty-four months following a termination of employment, the executives are subject to non-competition and non-solicitation restrictions. The salary continuation agreements with each of Peoples' named executive officers provide that, so long as the named executive officer is employed or receiving salary continuation payments, such named executive officer is restricted from engaging in competition with Peoples. If the named executive officer violates the non-competition provision, the salary continuation payments will immediately be forfeited.

Advisory (Non-Binding) Vote on the Compensation Proposal

New Section 14A of the Securities Exchange Act of 1934 adopted pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act requires that any proxy statement relating to a meeting of shareholders at which shareholders are asked to approve a merger must disclose any type of compensation payable to the acquired company's named executive officers in connection with the transaction, and must include a separate resolution subject to a shareholder advisory (non-binding) vote to approve any such compensation. The tables and the narrative above provide the required disclosures of the compensation that may be paid or become payable to Peoples' named executive officers in connection with the merger and the agreements and understandings pursuant to which such compensation may be paid or become payable. The following resolution, which Peoples' shareholders are being asked to adopt, provides Peoples' shareholders with the opportunity to cast an advisory (non-binding) vote on such compensation:

"RESOLVED, that the compensation that may be paid or become payable to Peoples' named executive officers in connection with the merger and the agreements and understandings pursuant to which such compensation may be paid or become payable, as disclosed in the table in the section of the proxy statement entitled "The Merger Interests of Peoples' Directors and Executive Officers in the Merger; Quantification of Payments and Benefits to Peoples' Executive Officers," including the associated narrative discussion, is hereby APPROVED."

The vote on the compensation proposal is a vote separate and apart from the vote to approve the merger agreement. You may vote for the compensation proposal and against the proposal to approve the merger agreement, and vice versa. Because the vote on the compensation proposal is advisory only, it will not be binding on either Peoples or SCBT. Accordingly, because Peoples is contractually

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obligated to pay the compensation, if the merger is completed, the compensation will be payable, subject only to the conditions applicable thereto, regardless of the outcome of the advisory vote.

The compensation proposal will be approved if the number of shares, represented in person or by proxy at the special meeting and entitled to vote thereon, voted in favor of the proposal exceeds the number of shares voted against such proposal. Therefore, if you mark "ABSTAIN" on your proxy with respect to the compensation proposal, or if you fail to vote or fail to instruct your bank or broker with respect to the compensation proposal, it will have no effect on the compensation proposal.

Peoples' board of directors recommends that you vote "FOR" the compensation proposal.

Public Trading Markets

SCBT common stock is listed for trading on the NASDAQ Global Market under the symbol "SCBT," and Peoples common stock is quoted on the OTC Bulletin Board under the symbol "PBCE." Upon completion of the merger, Peoples common stock will no longer be quoted on the OTC Bulletin Board.

Under the merger agreement, SCBT will use reasonable best efforts to cause the shares of SCBT common stock to be issued in connection with the merger to be listed on the NASDAQ Global Market, and the merger agreement provides that neither SCBT nor Peoples will be required to complete the merger if such shares are not approved for listing, subject to notice of issuance, on the NASDAQ Global Market.

SCBT's Dividend Policy

No assurances can be given that any dividends will be paid by SCBT or that dividends, if paid, will not be reduced or eliminated in future periods. Special cash dividends, stock dividends or returns of capital may, to the extent permitted by the policies and regulations of the Federal Reserve Board, be paid in addition to, or in lieu of, regular cash dividends. Dividends from SCBT will depend, in large part, upon receipt of dividends from SCBT, N.A., and any other banks which SCBT acquires, because SCBT will have limited sources of income other than dividends from SCBT, N.A. and other banks it acquires and earnings from the investment of proceeds from the sale of shares of common stock retained by SCBT. SCBT's board of directors may change its dividend policy at any time, and the payment of dividends by financial holding companies is generally subject to legal and regulatory limitations. For further information, see "Comparative Market Prices and Dividends."

Dissenters' Rights in the Merger

Any Peoples shareholder wishing to exercise dissenters' rights is urged to consult legal counsel before attempting to exercise dissenters' rights. Failure to comply strictly with all of the procedures set forth in Chapter 13 of the South Carolina Business Corporation Act, or BCA, which consists of Sections 33-13-101 to 33-13-310, may result in the loss of a shareholder's statutory dissenters' rights. In such case, such shareholder will be entitled to receive the merger consideration under the merger agreement.

The following discussion is a summary of Sections 33-13-101 to 33-13-310 of the BCA, which set forth the procedures for Peoples shareholders to dissent from the proposed merger and to demand statutory dissenters' rights under the BCA. The following discussion is not a complete statement of the provisions of the BCA relating to the rights of Peoples shareholders to receive payment of the fair market value of their shares, does not create any rights and is qualified in its entirety by reference to the full text of Sections 33-13-101 to 33-13-310 of the BCA, which are provided in their entirety as Annex C to this proxy statement/prospectus. Unless otherwise required by context, all references in Sections 33-13-101 to

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33-13-310 of the BCA and in this section to a "shareholder" are to the holder of record or the beneficial owner of the shares of Peoples common stock as to which dissenters' rights are asserted.

Chapter 13 of the BCA provides Peoples shareholders who (1) give Peoples written notice, before the vote on the proposal to approve the merger agreement, of their intent to demand payment for their shares if the merger agreement is approved and (2) do not vote "FOR" the approval of the merger with the right, subject to compliance with the requirements summarized below, to dissent and demand the payment of, and be paid in cash, the fair market value of the Peoples shares owned by such shareholders as of [ ], the record date for Peoples' special meeting. In accordance with Chapter 13 of the BCA, the fair market value of Peoples shares will be their fair market value determined as of the date immediately prior to the effective date of the merger, exclusive of any appreciation or depreciation in the value of the shares in consequence of the merger.

Even though a shareholder who wishes to exercise dissenters' rights may be required to take certain actions following Peoples' special meeting to perfect his or her dissenters' rights, if the merger agreement is later terminated and the merger is abandoned, no Peoples shareholder will have the right to any payment from Peoples. The following discussion is subject to the foregoing qualifications.

Provide Written Notice of Intent to Demand Payment

Any Peoples shareholder who desires to exercise dissenters' rights must give to Peoples, and Peoples must actually receive, before the vote on the proposal to approve the merger agreement at the Peoples special meeting, written notice of his, her or its intent to demand payment for his, her or its shares if the merger is effectuated (this notice must be in addition to and separate from any proxy or vote against the merger proposal; neither voting against, abstaining from voting, nor failing to vote on the merger proposal will constitute a notice within the meaning of the BCA). Any such written notices should be addressed to: Corporate Secretary, Peoples Bancorporation, Inc., 1818 East Main Street, Easley, South Carolina 29640. The notice must be executed by the holder of record or the beneficial owner of the shares of Peoples common stock as to which dissenters' rights are to be exercised.

A beneficial owner may assert dissenters' rights only if he, she or it dissents with respect to all shares of Peoples common stock of which he is the beneficial owner. A beneficial owner asserting dissenters' rights to shares held on his behalf shall notify Peoples in writing of the name and address of the record shareholder of the shares, if known to him. A record shareholder of Peoples common stock may exercise dissenters' rights with respect to fewer than all the shares registered in his, her or its name only if he, she or it dissents with respect to all shares of Peoples common stock beneficially owned by any one person. In such case, the notice submitted by the record shareholder must set forth the name and address of each person on whose behalf the record owner is asserting dissenters' rights.

Not Vote "FOR" the Merger

Any Peoples shareholder who desires to exercise dissenters' rights must not have voted his, her or its shares "FOR" the approval of the merger agreement. A vote in favor of the approval of the merger agreement cast by the holder of a proxy solicited by Peoples will not disqualify such shareholder from asserting his, her or its dissenters' rights.

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Notice of Approval by Peoples

If the merger agreement is approved by the Peoples shareholders, Peoples is required within 10 days after the approval to send, to those Peoples shareholders who have provided prior written notice of their intent to demand payment for their shares and who have not voted "FOR" the approval of the merger agreement, a written dissenters' notice of the Peoples shareholder approval. Such dissenters' notice will state where your payment demand must be sent and where certificates for shares of Peoples common stock must be deposited; inform holders of uncertificated shares to what extent transfer of the shares is to be restricted after the payment demand is received; supply a form for demanding payment; set a date by which Peoples must receive your payment demand (not fewer than 30 days nor more than 60 days after the dissenters' notice is mailed) and a date by which certificates for certificated shares must be deposited (not fewer than 20 days after the demand date) and include a copy of Chapter 13 of the BCA.

Written Demand for Payment & Depositing of Shares

If you receive a dissenters' notice, you must demand payment and deposit your share certificates in accordance with the terms of the dissenters' notice. If you demand payment and deposit your share certificates, you retain all other rights of a shareholder until these rights are canceled or modified by the merger. If you do not demand payment or deposit your share certificates where required, each by the date set in the dissenters' notice, you are not entitled to payment for your shares under the BCA. Any written demands for payment should be sent to: Corporate Secretary, Peoples Bancorporation, Inc., 1818 East Main Street, Easley, South Carolina 29640. Shares of Peoples common stock held by shareholders who have properly perfected their dissenters' rights in accordance with Chapter 13 of the BCA and who have not withdrawn their demands or otherwise lost their dissenters' rights are referred to in this summary as dissenting shares.

Payment of Agreed Upon Price

Following the effective date of the merger, Peoples (SCBT, following the merger) must pay each dissenting shareholder the amount it estimates to be the fair value of his, her or its dissenting shares, plus interest accrued from the date of the closing of the merger to the date of payment. The payment must be accompanied by:

- Peoples' most recent available balance sheet, income statement, and statement of changes in shareholders' equity as of the end of or for the fiscal year ending not more than 16 months before the date of payment, and the latest available interim financial statements, if any;
- A statement of how Peoples (SCBT, following the merger) estimated the fair value of the shares;
- An explanation of the interest calculation;
- A statement of the dissenters' right to demand additional payment (as described below); and
- A copy of Chapter 13 of the BCA.

If the merger is not consummated within 60 days after the date set for demanding payment and depositing share certificates, Peoples must return your deposited certificates within the same 60-day period. If after returning your deposited certificates the merger is consummated, Peoples (SCBT, following the merger) must send you a new dissenters' notice and repeat the payment demand procedure.

Demand for Additional Payment

A dissenting shareholder may notify Peoples in writing of his, her or its own estimate of the fair value of the dissenting shares and amount of interest due, and demand payment of the excess of his,

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her or its estimate of the fair value of the dissenting shares over the amount previously paid by Peoples if:

- you believe that the amount paid is less than the fair value of your Peoples common stock or that the interest is incorrectly calculated;

- Peoples fails to make payment of its estimate of fair value to you within 60 days after the date set for demanding payment; or

- the merger not having been consummated, Peoples does not return your deposited certificates, or release the transfer restrictions on uncertificated shares, within 60 days after the date set for demanding payment.

You waive the right to demand additional payment unless you notify Peoples of your demand in writing within 30 days of Peoples' payment of, or offer to pay, its estimate of the fair value of your Peoples common stock.

Appraisal Proceeding

If your demand for payment remains unsettled, Peoples must commence a proceeding within 60 days after receiving the demand for additional payment by filing a complaint in the circuit court of Pickens County, South Carolina, where Peoples' principal office is located, to determine the fair value of the shares and accrued interest. If Peoples does not commence the proceeding within such 60-day period, Peoples shall pay you the amount you demanded. In such appraisal proceeding, the court may appoint persons as appraisers to receive evidence and recommend decisions on the question of fair value. Each dissenting shareholder whose demand for additional payment remains unsettled shall be made a party to the proceeding, and each such dissenter is entitled to judgment for the amount, if any, be which the court finds the fair value of his, her or its dissenting shares, plus interest, exceeds the amount paid by Peoples.

The court in such an appraisal proceeding will determine all costs of the proceeding and assess the costs as it finds equitable. The court may also assess the fees and expenses of counsel and expenses for the respective parties, in the amounts the court finds equitable: (a) against Peoples if the court finds that it did not comply with Chapter 13 of the BCA or (b) against Peoples or the dissenting shareholders if the court finds that the party against whom the fees and expenses are assessed acted arbitrarily, vexatiously, or not in good faith. If the court finds that the services of counsel for any dissenting shareholder were of substantial benefit to other dissenting shareholders, and that the fees for those services should not be assessed against Peoples, the court may award to these counsel reasonable fees to be paid out of the amounts awarded to the dissenting shareholders who were benefited.

Regulatory Approvals Required for the Merger

Subject to the terms and conditions of the merger agreement, SCBT and Peoples have agreed to use their reasonable best efforts to obtain all regulatory approvals required or advisable to complete the transactions contemplated by the merger agreement. These approvals include, among others, approval from the Federal Reserve Board, the OCC and the South Carolina State Board of Financial Institutions. SCBT and Peoples have filed, or are in the process of filing, applications and notifications to obtain the required regulatory approvals.

Federal Reserve Board

The merger of Peoples with SCBT must be approved by the Federal Reserve Board under Section 3 of the BHC Act. In considering the approval of a transaction such as the merger, the BHC Act requires the Federal Reserve Board to review, with respect to the bank holding companies and the banks concerned: (1) the competitive impact of the transaction, (2) the financial condition and future prospects, including capital positions and managerial resources, (3) the convenience and needs of the communities to be served and the record of the insured depository institution subsidiaries of the bank holding companies under the Community Reinvestment Act, (4) the effectiveness of the companies and the depository institutions concerned in combating money-laundering activities and (5) the extent to which the proposal would result in greater or more concentrated risks to the stability of the United States banking or financial system. In connection with its review, the Federal Reserve Board will provide an opportunity for public comment on the application and is authorized to hold a public meeting or other proceeding if they determine that would be appropriate.

Office of the Comptroller of the Currency

The bank mergers must be approved by the OCC under the Bank Merger Act. An application for approval of the bank mergers will be filed with the OCC as soon as is practicable and will be subject to a 30-day comment and review period by the OCC. In evaluating an application filed under the Bank Merger Act, the OCC generally considers: (1) the competitive impact of the transaction, (2) financial and managerial resources of the banks party to the bank merger or mergers, (3) the convenience and needs of the community to be served and the record of the banks under the Community Reinvestment Act, (4) the banks' effectiveness in combating money-laundering activities and (5) the extent to which the bank merger or mergers would result in greater or more concentrated risks to the stability of the United States banking or financial system. In connection with its review, the OCC will provide an opportunity for public comment on the application for the bank mergers, and is authorized to hold a public meeting or other proceeding if they determine that would be appropriate.

South Carolina State Board of Financial Institutions

The merger of Peoples and SCBT must be approved by the State Board under the South Carolina Banking and Efficiency Act of 1996. The matters to be addressed in the application to the State Board are the same as the matters to be addressed in the application to the Federal Reserve Board under Section 3 of the BHC Act. In connection with its review, the State Board will provide an opportunity for public comment on the application.

Additional Regulatory Approvals and Notices

Notifications and/or applications requesting approval may be submitted to various other federal and state regulatory authorities and self-regulatory organizations.

SCBT and Peoples believe that the merger does not raise substantial antitrust or other significant regulatory concerns and that we will be able to obtain all requisite regulatory approvals on a timely basis without the imposition of any condition that would have a material adverse effect on SCBT or Peoples. However, neither Peoples nor SCBT can assure you that all of the regulatory approvals described above will be obtained and, if obtained, we cannot assure you as to the timing of any such approvals, our ability to obtain the approvals on satisfactory terms or the absence of any litigation challenging such approvals.

The parties' obligation to complete the merger is conditioned upon the receipt of all required regulatory approvals. SCBT and Peoples will use their respective reasonable best efforts to resolve any objections that may be asserted by any regulatory authority with respect to the merger agreement or the merger or the other transactions contemplated by the merger agreement.

Neither Peoples nor SCBT is aware of any material governmental approvals or actions that are required for completion of the merger other than those described above. It is presently contemplated that if any such additional governmental approvals or actions are required, those approvals or actions will be sought. There can be no assurance, however, that any additional approvals or actions will be obtained.

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Litigation Relating to the Merger

On January 18, 2012, two purported shareholders of Peoples filed a class action lawsuit in the Court of Common Pleas for the Thirteenth Judicial District, State of South Carolina, County of Pickens, captioned *F. Davis Arnette and Mary F. Arnette* v. *Peoples Bancorporation, Inc.*, Case No. 2012-CP-39-0064. The Complaint names as defendants Peoples, the current members of Peoples' board of directors, whom we refer to as the director defendants, and SCBT. The Complaint is brought on behalf of a putative class of shareholders of Peoples common stock and seeks a declaration that it is properly maintainable as a class action. The Complaint alleges that the director defendants breached their fiduciary duties by failing to maximize shareholder value in connection with the merger and also alleges that SCBT aided and abetted those breaches of fiduciary duty. The Complaint further alleges that the director defendants breached their fiduciary duties to Peoples' shareholders by improperly securing for themselves certain benefits not shared equally by Peoples' shareholders and by approving certain terms and conditions in the merger agreement that may be adverse to potential alternate acquirors of Peoples. The Complaint seeks declaratory and injunctive relief to prevent the completion of the merger, an accounting to determine damages sustained by the putative class, and costs including plaintiffs' attorneys' and experts' fees. Each of Peoples and SCBT believes that the claims asserted in the Complaint are without merit.

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THE MERGER AGREEMENT

The following describes certain aspects of the merger, including certain material provisions of the merger agreement. The following description of the merger agreement is subject to, and qualified in its entirety by reference to, the merger agreement, which is attached to this proxy statement/prospectus as Annex A and is incorporated by reference into this proxy statement/prospectus. We urge you to read the merger agreement carefully and in its entirety, as it is the legal document governing the merger.

Structure of the Merger

Each of Peoples' board of directors and SCBT's board of directors has unanimously approved the merger agreement. The merger agreement provides for the merger of Peoples with and into SCBT, with SCBT continuing as the surviving entity in the merger. Immediately following the merger, The Peoples National Bank, Bank of Anderson, N.A. and Seneca National Bank, each a wholly-owned bank subsidiary of Peoples, will merge with SCBT, N.A., a wholly-owned bank subsidiary of SCBT, with SCBT, N.A. continuing as the surviving bank.

Merger Consideration

Each shareholder of Peoples common stock issued and outstanding immediately prior to the completion of the merger, except for specified shares of Peoples common stock held by Peoples or SCBT or Peoples shareholders properly asserting dissenters' rights at the time of the completion of the merger, will receive 0.1413 of a share of SCBT common stock for each share of Peoples common stock held immediately prior to the merger. For further information on asserting dissenters' rights in the merger, see "The Merger Dissenters' Rights in the Merger."

If the number of shares of common stock of SCBT or Peoples changes before the merger is completed as a result of any reclassification, recapitalization, stock split (including a reverse stock split) or subdivision or combination or readjustment of shares, or any stock dividend or stock distribution with a record date during such period, then the exchange ratio and merger consideration will be proportionately adjusted.

Fractional Shares

SCBT will not issue any fractional shares of SCBT common stock in the merger. Instead, a Peoples shareholder who otherwise would have received a fraction of a share of SCBT common stock will receive an amount in cash rounded to the nearest whole cent. This cash amount will be determined by multiplying the fraction of a share of SCBT common stock to which the holder would otherwise be entitled by the SCBT closing share value.

Governing Documents; Directors and Officers

At the effective time of the merger, the articles of incorporation and bylaws of SCBT in effect immediately prior to the effective time will be the articles of incorporation and bylaws of the surviving corporation after completion of the merger until thereafter amended in accordance with their respective terms and applicable law. The directors and officers of SCBT in office immediately prior to the effective time of the merger, together with such additional persons as may thereafter be elected, shall serve as the directors and officers, respectively, of the surviving corporation from and after the effective time of the merger in accordance with the bylaws of SCBT.

Treatment of Peoples Stock Options and Other Equity-Based Awards

Peoples Options

The directors (including directors of Peoples' subsidiary banks), executive officers and other employees of Peoples held options to purchase an aggregate of 128,233 shares of common stock as of February 23, 2012. Each Peoples option that is outstanding immediately prior to the effective time of the merger, whether vested or unvested, will be converted into an obligation of SCBT to pay each holder an amount equal to the product of (i) the applicable per share Black-Scholes amount and (ii) the number of shares of common stock subject to the Peoples option.

Peoples Restricted Shares

The executive officers and other employees of Peoples have been granted an aggregate of 63,100 Peoples restricted shares which are outstanding as of February 23, 2012. As of the effective time, each Peoples restricted share will vest in full, become free of all restrictions and the holder of Peoples restricted shares will receive the merger consideration for each such Peoples restricted share.

For further information on the treatment of the Peoples equity or equity-based awards, see "The Merger Interests of Peoples' Directors and Executive Officers in the Merger."

Redemption of Preferred Stock Held by the United States Department of the Treasury

At the request of SCBT, Peoples will use its reasonable best efforts to cause or facilitate the repurchase or redemption by SCBT concurrently with or immediately after the completion of the merger of all (or such portion as SCBT may designate) of the issued and outstanding shares of Peoples Series T Preferred Stock and Peoples Series W Preferred Stock issued in connection with the United States Department of the Treasury's Capital Purchase Program (we refer to this repurchase or redemption as the TARP redemption). The TARP redemption will be made on the terms and conditions set forth in the Certificates of Determination for the Series T and Series W Preferred Stock and otherwise as reasonably acceptable to SCBT.

Closing and Effective Time of the Merger

The merger will be completed only if all conditions to the merger discussed in this proxy statement/prospectus and set forth in the merger agreement are either satisfied or waived. See " Conditions to Complete the Merger."

The merger will become effective when the Articles of Merger, as described in Section 33-11-105 of the BCA, are accepted for filing by the Secretary of State of the State of South Carolina. The closing of the transactions contemplated by the merger will occur at 10:00 a.m., New York City time on a date no later than three business days after the satisfaction or waiver of the last of the conditions specified in the merger agreement, or such other date as mutually agreed to by the parties. It currently is anticipated that the completion of the merger will occur in the second quarter of 2012 subject to the receipt of regulatory approvals and other customary closing conditions, but neither Peoples nor SCBT can guarantee when or if the merger will be completed.

Conversion of Shares; Exchange of Certificates

The conversion of Peoples common stock into the right to receive the merger consideration will occur automatically at the effective time of the merger. After completion of the merger, the exchange agent will exchange certificates or book-entry shares representing shares of Peoples common stock for the merger consideration to be received pursuant to the terms of the merger agreement.

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Letter of Transmittal

As soon as reasonably practicable after the completion of the merger, the exchange agent will mail appropriate transmittal materials and instructions to those persons who were holders of Peoples common stock immediately prior to the completion of the merger. These materials will contain instructions on how to surrender shares of Peoples common stock in exchange for the merger consideration the holder is entitled to receive under the merger agreement.

If a certificate for Peoples common stock has been lost, stolen or destroyed, the exchange agent will issue the merger consideration upon receipt of (1) an affidavit of that fact by the claimant and (2) if reasonably required, such bond as SCBT may determine is necessary as indemnity against any claim that may be made against SCBT with respect to such lost, stolen or destroyed certificate.

After completion of the merger, there will be no further transfers on the stock transfer books of Peoples other than to settle transfers of Peoples common stock that occurred prior to the effective time of the merger.

Withholding

SCBT and the exchange agent will be entitled to deduct and withhold from the consideration otherwise payable to any Peoples shareholder the amounts they are required to deduct and withhold under any applicable federal, state, local or foreign tax law. If any such amounts are withheld, these amounts will be treated for all purposes of the merger agreement as having been paid to the shareholders from whom they were withheld.

Dividends and Distributions

Whenever a dividend or other distribution is declared by SCBT on SCBT common stock, the record date for which is after the effective time of the merger, the declaration will include dividends or other distributions on all shares of SCBT common stock issuable under the merger agreement, but such dividends or other distributions will not be paid to the holder thereof until such holder has duly surrendered his, her or its Peoples stock certificates.

Representations and Warranties

The representations, warranties and covenants described below and included in the merger agreement were made only for purposes of the merger agreement and as of specific dates, are solely for the benefit of SCBT and Peoples, may be subject to limitations, qualifications or exceptions agreed upon by the parties, including those included in confidential disclosures made for the purposes of, among other things, allocating contractual risk between SCBT and Peoples rather than establishing matters as facts, and may be subject to standards of materiality that differ from those standards relevant to investors. You should not rely on the representations, warranties, covenants or any description thereof as characterizations of the actual state of facts or condition of SCBT, Peoples or any of their respective subsidiaries or affiliates. Moreover, information concerning the subject matter of the representations, warranties and covenants may change after the date of the merger agreement, which subsequent information may or may not be fully reflected in public disclosures by SCBT or Peoples. The representations and warranties and other provisions of the merger agreement should not be read alone, but instead should be read only in conjunction with the information provided elsewhere in this proxy statement/prospectus and in the documents incorporated by reference into this proxy statement/prospectus. See "Where You Can Find More Information."

The merger agreement contains customary representations and warranties of SCBT and Peoples relating to their respective businesses. The representations and warranties in the merger agreement do not survive the effective time of the merger.

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The merger agreement contains representations and warranties made by Peoples to SCBT relating to a number of matters, including the following:

- corporate matters, including due organization and qualification and subsidiaries;
- capitalization;
- authority relative to execution and delivery of the merger agreement and the absence of conflicts with, or violations of, organizational documents or other obligations as a result of the merger;
- required governmental and other regulatory filings and consents and approvals in connection with the merger;
- reports to regulatory authorities;
- financial statements, internal controls and absence of undisclosed liabilities;
- the absence of certain changes or events;
- legal proceedings;
- tax matters;
- employee benefit matters;
- labor matters;
- compliance with applicable laws;
- certain material contracts;
- agreements with regulatory authorities;
- investment securities;
- derivative instruments and transactions;
- environmental matters;

- insurance matters;
- real and personal property;
- intellectual property matters;
- broker's fees payable in connection with the merger;
- inapplicability of the Investment Company Act of 1940, as amended;
- loan matters;
- related party transactions;
- inapplicability of takeover statutes; and
- the accuracy of information supplied for inclusion in this proxy statement/prospectus and other similar documents.

The merger agreement contains representations and warranties made by SCBT to Peoples relating to a number of matters, including the following:

- corporate matters, including due organization and qualification and subsidiaries;
- capitalization;

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- authority relative to execution and delivery of the merger agreement and the absence of conflicts with, or violations of, organizational documents or other obligations as a result of the merger;
- required governmental and other regulatory filings and consents and approvals in connection with the merger;
- legal proceedings;
- the absence of certain changes or events;
- reports to regulatory authorities;
- financial statements;
- compliance with applicable laws;
- tax matters;
- broker's fees payable in connection with the merger; and
- the accuracy of information supplied for inclusion in this proxy statement/prospectus and other similar documents.

Certain representations and warranties of SCBT and Peoples are qualified as to "materiality" or "material adverse effect." For purposes of the merger agreement, a "material adverse effect," when used in reference to Peoples, means any event, circumstance, development, change or effect that, individually or in the aggregate, (1) is, or is reasonably likely to be, material and adverse to the business, operations, prospects, condition (financial or otherwise) or results of operations of Peoples and its subsidiaries taken as a whole or (2) prevents or materially impairs, or would be reasonably likely to prevent or materially impair, the ability of Peoples to timely consummate the transactions contemplated by the merger agreement or to perform its agreements or covenants under the merger agreement; provided that in the case of clause (1) of this sentence, a material adverse effect will not be deemed to include any event, circumstance, development, change or effect to the extent resulting from:

- changes in GAAP, except to the extent that the effects of such changes disproportionately affect the applicable party and its subsidiaries, taken as a whole, as compared to other companies in the industry in which the applicable party operates;
- changes in laws generally applicable to companies in the financial services industry, except to the extent that the effects of such changes disproportionately affect the applicable party and its subsidiaries, taken as a whole, as compared to other companies in the industry in which the applicable party operates;
- changes in political or regulatory conditions or general economic or market conditions in the United States or any state or territory thereof, in each case generally affecting other companies in the financial services industry, except to the extent that the effects of such changes disproportionately affect the applicable party and its subsidiaries, taken as a whole, as compared to other companies in the industry in which the applicable party operates;
- failure, in and of itself, to meet earnings projections or internal financial forecasts, but not including any underlying causes thereof, or changes in the trading price of a party's common stock, in and of itself, but not including any underlying causes

thereof;

public disclosure of the merger agreement;

any outbreak or escalation of hostilities, declared or undeclared acts of war or terrorism, except to the extent that the effects of such changes disproportionately affect the applicable party and its subsidiaries, taken as a whole, as compared to other companies in the industry in which the applicable party operates; or

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any valuation allowance required by GAAP or applicable law in respect of the deferred tax asset of Peoples reflected in the unaudited consolidated balance sheet of Peoples and its subsidiaries, dated as of September 30, 2011, included in Peoples' SEC Documents, but not including any underlying causes thereof.

A "material adverse effect," when used in reference to SCBT, means any event, development, change or effect that prevents, or would be reasonably likely to prevent, Parent from consummating the transactions contemplated hereby.

Covenants and Agreements

Conduct of Businesses Prior to the Completion of the Merger

Peoples has agreed that, prior to the effective time of the merger, it will, and will cause each of its subsidiaries to, conduct its business in the usual, regular and ordinary course consistent with past practice, use reasonable best efforts to preserve intact its business organization, rights, franchises and current relationships and take no action that is intended to or would reasonably be expected to adversely affect or materially delay the ability of Peoples or SCBT to obtain any required regulatory approvals or to perform their respective obligations under the merger agreement.

Additionally, Peoples has agreed that prior to the effective time of the merger, except as expressly required by the merger agreement or with the prior written consent of SCBT, Peoples will not, and will not permit any of its subsidiaries to, subject to certain exceptions, undertake the following actions:

- (1) incur indebtedness or guarantee indebtedness of another person, except in the ordinary course of business consistent with past practice or (2) assume, guarantee, endorse or otherwise as an accommodation become responsible for the obligations of any other individual, corporation or other entity, except in connection with presentation of items for collection (e.g., personal or business checks) in the ordinary course of business consistent with past practice;

- (1) adjust, split, combine or reclassify any capital stock; (2) set any record or payment dates for any dividends or distributions on its capital stock, make, declare or pay any dividend or distribution (other than regular quarterly cash dividends on Peoples preferred stock consistent with past practice) or redeem, purchase or otherwise acquire any securities or obligations convertible into or exchangeable for any shares of its capital stock or other equity interest (except for the redemption of Peoples Series T Preferred Stock and Peoples Series W Preferred Stock); (3) grant any stock appreciation rights, restricted stock units or other equity-based compensation or grant any right to acquire any shares of its capital stock; (4) issue or commit to issue any additional shares of capital stock or sell, lease, transfer, mortgage, encumber or otherwise dispose of any capital stock in any Peoples subsidiary, except upon the exercise of Peoples options or Peoples restricted shares outstanding as of the date of the merger agreement or (5) enter into any agreement, understanding or arrangement with respect to the sale or voting of its capital stock;

- sell, lease, transfer, mortgage, encumber or otherwise dispose of any of its properties or assets (other than to a subsidiary), except (1) subject to certain restrictions, sales of loans, loan participations and investment securities in the ordinary course of business consistent with past practice, (2) as required by certain contracts or agreements in force as of the date of the merger agreement and (3) sales of other real estate owned in the ordinary course of business consistent with past practice;

- acquire direct or indirect control over any business or corporate entity or make any other investment in any person, except in connection with a foreclosure of collateral or conveyance of such collateral in lieu of foreclosure taken in connection with collection of a loan in the ordinary

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course of business consistent with past practice and with respect to loans made to third parties who are not affiliates of Peoples;

grant any Peoples options, Peoples restricted shares, awards based on the value of Peoples' capital stock or other equity-based award with respect to shares of Peoples common stock under any Peoples employee benefit plan or otherwise, or grant any person any right to acquire any shares of Peoples capital stock;

except as required under applicable law or the terms of any Peoples employee benefit plan, (1) enter into, adopt or terminate, or agree to enter into, adopt or terminate, any employee benefit plan, (2) amend any employee benefit plan in a manner that would result in any increase in cost, (3) increase or agree to increase the compensation or benefits payable to any employee, officer, director or consultant, (4) grant or accelerate the vesting of any equity-based awards for the benefit of any such individual, (5) enter into any new, or amend any existing, collective bargaining agreement or similar agreement, (6) provide any funding for any rabbi trust or similar arrangement, (7) accelerate the vesting of or lapsing of restrictions with respect to any Peoples employee benefit plan or (8) hire, transfer, promote or terminate the employment of any employee who has a target annual compensation of $50,000 or more;

settle any claim, action or proceeding other than in the ordinary course of business consistent with past practice involving solely money damages not in excess of $25,000 individually or $50,000 in the aggregate; waive, compromise, assign, cancel or release any material rights or claims; or agree to any injunction, decree, order or judgment restricting or otherwise affecting its business or operations;

pay, discharge or satisfy any claims, liabilities or obligations, other than in the ordinary course of business and consistent with past practice;

make any change in accounting methods or systems of internal accounting controls, except as required by GAAP as concurred in by Peoples' independent auditors, or revalue in any material respect any of its assets, except as required by GAAP and in the ordinary course of business consistent with past practice;

make, change or revoke any tax election, change an annual tax accounting period, adopt or change any tax accounting method, file any amended tax return, enter into any closing agreement with respect to taxes, or settle any tax claim, audit, assessment or dispute or surrender any right to claim a refund of taxes;

amend its articles of incorporation or bylaws or comparable organizational documents;

(1) materially restructure or materially change its investment securities portfolio or its gap position or the manner in which the portfolio is classified or reported, (2) or invest in any mortgage-backed or mortgage-related securities that would be considered "high-risk" securities under applicable regulatory pronouncements or (3) purchase or otherwise acquire any debt security with a remaining term as of the date of such purchase or acquisition of greater than fifteen years for Peoples' own account or any subsidiary's own account without previously consulting with SCBT;

enter into, modify, amend or terminate any material contract, other than in the ordinary course of business consistent with past practice;

change in any material respect its credit policies and collateral eligibility requirements and standards, except as may be required by a regulatory authority;

fail to use reasonable best efforts to take any action that is required under an agreement with a regulatory authority or take any action that violates such an agreement;

except as required by applicable law, regulation or policies, enter into any new line of business or change in any material respect its lending, investment, underwriting, risk and asset liability management, interest rate or fee pricing with respect to depository accounts, hedging and other material banking and operating policies or practices, including policies and practices with respect to underwriting, pricing, originating, acquiring, selling, servicing, or buying or selling rights to service loans;

permit the construction of new structures upon, or purchase or lease any real property in respect of, any branch or other facility, or file any application or take any other action to establish, relocate or terminate the operation of any banking office;

make, or commit to make, any capital expenditures in excess of $25,000 in the aggregate;

without previously notifying and consulting with SCBT, and except to the extent approved by Peoples and committed to prior to the date of the merger agreement and disclosed to SCBT, make or acquire any loan or issue a commitment (or renew or extend an existing commitment) for any loan relationship aggregating in excess of $500,000, or amend or modify in any material respect any existing loan relationship, that would result in total credit exposure to the applicable borrower in excess of $500,000;

take any action that is intended to, would or would be reasonably likely to result in any of the conditions to the completion of the merger not being satisfied or prevent or materially delay the completion of the merger and the other transactions contemplated by the merger agreement, except as may be required by applicable laws;

take any action, or knowingly fail to take any action, that prevents or impedes, or could reasonably be expected to prevent or impede, the merger from qualifying as a "reorganization" within the meaning of Section 368(a) of the Code; or

agree to take, make any commitment to take or adopt any resolutions of Peoples' board of directors in support of, any of the above prohibited actions.

SCBT has agreed to a more limited set of restrictions on its business prior to the completion of the merger. Specifically, SCBT has agreed that prior to the effective time of the merger, except as expressly contemplated or permitted by the merger agreement or with the prior written consent of Peoples, SCBT will not, and will not permit any of its subsidiaries to, subject to certain exceptions, undertake the following actions:

except as may be otherwise required or permitted by the merger agreement, amend its articles of incorporation or bylaws or similar governing documents of any of its subsidiaries in a manner that would materially and adversely affect the economic benefits of the merger to the holders of Peoples common stock or that would materially impede SCBT's ability to consummate the merger and the other transactions contemplated by the merger agreement;

take any action that is intended to, would or would be reasonably likely to result in any of the conditions to the completion of the merger not being satisfied or prevent or materially delay the completion of the merger and the other transactions contemplated by the merger agreement, except as may be required by applicable laws;

take any action, or knowingly fail to take any action, that prevents or impedes, or could reasonably be expected to prevent or impede, the merger from qualifying as a "reorganization" within the meaning of Section 368(a) of the Code; or

agree to take, make any commitment to take or adopt any resolutions of SCBT's board of directors in support of, any of the above prohibited actions.

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Regulatory Matters

SCBT and Peoples have agreed to use their respective reasonable best efforts to take all actions that are necessary, proper or advisable to comply promptly with all legal requirements with respect to the merger and the other transactions contemplated by the merger agreement and to obtain all permits, consents, authorizations, waivers or approvals of any regulatory authority required or advisable in connection with the merger and the other transactions contemplated by the merger agreement. SCBT and Peoples will use their respective reasonable best efforts to resolve any objections that may be asserted by any regulatory authority with respect to the merger agreement or the merger or the other transactions contemplated by the merger agreement. However, in no event will SCBT be required, and will Peoples and its subsidiaries be permitted (without SCBT's written consent), to take any action or agree to any condition or restriction if such action, condition or restriction would have, or would be reasonably likely to have, individually or in the aggregate, a material adverse effect in respect of SCBT or Peoples and its subsidiaries, taken as a whole (measured on a scale relative to Peoples and its subsidiaries, taken as a whole) (including, without limitation, any determination by a regulatory authority that the bank mergers may not be consummated simultaneously with effective time of the merger, or that certain agreements between Peoples' bank subsidiaries and their regulators will not terminate and be of no further force and effect following the bank mergers (and without on-going conditions or restrictions)).

Tax Matters

SCBT and Peoples have agreed to use their respective reasonable best efforts to cause the merger to qualify as a "reorganization" within the meaning of Section 368(a) of the Code, and to not knowingly take any action that could reasonably be expected to prevent the merger from so qualifying.

Employee Matters

The merger agreement provides that, for a period of 12 months after the completion of the merger, SCBT will provide to employees of Peoples and its subsidiaries, who are actively employed as of the completion of the merger (to the extent they continue to be actively employed following the completion of the merger), life insurance, accidental death and disability and medical benefit plans that, in the aggregate, are substantially similar to such plans that are generally available to similarly situated employees of SCBT. The service of Peoples employees prior to the completion of the merger will be treated as service with SCBT for purposes of eligibility, participation, vesting and benefit accrual under SCBT's employee benefit plans, subject to customary exclusions.

D&O Indemnification and Insurance

The merger agreement provides that after the completion of the merger, SCBT will indemnify and hold harmless all present and former directors and officers of Peoples against all liabilities arising out of the fact that such person is or was a director or officer of Peoples if the claim pertains to any matter of fact arising, existing or occurring at or before the effective time of the merger, to the fullest extent permitted by applicable law and Peoples' governing documents.

The merger agreement requires SCBT to use its reasonable best efforts to maintain for a period of six years after completion of the merger Peoples' existing directors' and officers' liability insurance policy, or policies of at least the same coverage and amounts and containing terms and conditions that are substantially no less advantageous than the current policy (or, with the consent of Peoples prior to the completion of the merger, any other policy), with respect to claims arising from facts or events that occurred prior to the completion of the merger, and covering such individuals who are currently covered by such insurance. However, SCBT is not required to incur annual premium payments greater than 250% of Peoples' current annual directors' and officers' liability insurance premium. In lieu of the

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foregoing, prior to the completion of the merger, SCBT may obtain a six-year "tail" prepaid policy providing coverage equivalent to such insurance.

Certain Additional Covenants

The merger agreement also contains additional covenants, including covenants relating to the filing of this proxy statement/prospectus, obtaining required consents, the listing of the shares of SCBT common stock to be issued in the merger, access to information of the other company and public announcements with respect to the transactions contemplated by the merger agreement.

Peoples Shareholder Meeting and Recommendation of Peoples' Board of Directors

Peoples has agreed to hold a meeting of its shareholders for the purpose of voting upon approval of the merger agreement as promptly as practicable. Peoples will use its reasonable best efforts to obtain from its shareholders the requisite shareholder approval of the merger agreement, including by recommending that its shareholders approve and adopt the merger agreement.

The board of directors of Peoples has agreed to recommend that Peoples' shareholders vote in favor of approval of the merger agreement and to not withdraw or modify such recommendation in any manner adverse to SCBT (which we refer to as a change in Peoples' recommendation).

Agreement Not to Solicit Other Offers

For purposes of the merger agreement:

- an "acquisition proposal" means any inquiries or proposals regarding any merger, share exchange, consolidation, sale of assets, sale of shares of capital stock (including, by way of a tender offer) or similar transactions involving Peoples or any of its subsidiaries that, if consummated, would constitute an "alternative transaction" (as described below); and

- an "alternative transaction" means (1) any transaction pursuant to which any person (or group of persons) other than SCBT or its affiliates acquires or would acquire more than 20% of the outstanding shares of Peoples common stock or outstanding voting power of Peoples, or more than 20% of the outstanding shares or voting power of any other series or class of capital stock of Peoples that would be entitled to a class or series vote with respect to the merger, whether from Peoples or pursuant to a tender offer or exchange offer or otherwise, (2) a merger, share exchange, consolidation or other business combination involving Peoples (other than the merger), (3) any transaction pursuant to which any person (or group of persons) other than SCBT or its affiliates acquires or would acquire control of assets (including for this purpose the outstanding equity securities of any Peoples subsidiaries and securities of the entity surviving any merger or business combination involving any Peoples subsidiary) of Peoples or any of its subsidiaries representing more than 20% of the fair market value of all the assets, deposits, net revenues or net income of Peoples and its subsidiaries, taken as a whole, immediately prior to such transaction or (4) any other consolidation, business combination, recapitalization or similar transaction involving Peoples or any of its subsidiaries, other than the transactions contemplated by the merger agreement, as a result of which the holders of shares of Peoples common stock immediately prior to such transaction do not, in the aggregate, own at least 80% of each of the outstanding shares of Peoples common stock and the outstanding voting power of the surviving or resulting entity in such transaction immediately following the completion of the transaction, in substantially the same proportion as such holders held the shares of Peoples common stock immediately prior to the completion of such transaction.

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Peoples also has agreed that it will not, and will cause each of its subsidiaries and its and their respective officers, directors, employees, agents and representatives not to, directly or indirectly:

- solicit, initiate, encourage or facilitate (including by furnishing information) or take any other action designed to facilitate, any acquisition proposal;
- participate in any discussions or negotiations regarding an alternative transaction or acquisition proposal; or
- enter into any agreement regarding any alternative transaction or acquisition proposal.

However, if Peoples is not otherwise in violation of its agreement not to solicit other offers, the Peoples board of directors may, directly or through representatives and pursuant to a customary confidentiality agreement that contains provisions that are no less favorable to Peoples than those contained in the confidentiality agreement that exists between Peoples and SCBT, provide information to, and engage in negotiations or discussions with, a person who, after the date of the merger agreement, has made a bona fide, unsolicited written acquisition proposal, but only if the Peoples board of directors, after consulting with and considering the advice of its outside financial advisor and its outside counsel, determines in good faith that its failure to engage in any such negotiations or discussions would be reasonably likely to be a violation of its fiduciary duties under South Carolina law.

Peoples has also agreed to provide SCBT written notice within 24 hours following the receipt of any acquisition proposal, material modification to any acquisition proposal or request for nonpublic information or access to Peoples' or its subsidiaries' properties, books or records by any person that has made or, to Peoples' knowledge, may be considering making, an acquisition proposal. The notice will indicate the identity of the person making the acquisition proposal or requesting nonpublic information or access and the material terms of the acquisition proposal or modification to an acquisition proposal. Peoples shall keep SCBT fully informed, on a current basis, of any material changes in the status and any material changes or modifications in the terms of any such acquisition proposal, indication or request.

Peoples and its subsidiaries have agreed to (1) immediately cease and cause to be terminated any existing discussions or negotiations conducted with any third party with respect to any alternative transaction or acquisition proposal, (2) enforce and not release any third party from the confidentiality and standstill provisions of any agreement to which Peoples or its subsidiaries is a party and (3) immediately terminate any approval previously given under any such provisions authorizing any person to make an acquisition proposal.

The merger agreement provides that the Peoples' board of directors may disclose to its shareholders a position contemplated by Rules 14d-9 and 14e-2(a)(2)-(3) under the Securities and Exchange Act of 1934, as amended. However, such Rules will not eliminate or modify the effect that any action would otherwise have under the merger agreement and any disclosure (other than solely a "stop, look and listen" communication of the type contemplated by Rule 14d-9(f) under the Exchange Act) will be treated as a modification of Peoples' recommendation.

Conditions to Complete the Merger

SCBT's and Peoples' respective obligations to complete the merger are subject to the fulfillment or waiver of the following conditions:

- the approval of the merger agreement by Peoples' shareholders;
- the receipt of required regulatory approvals without a condition or restriction that would have, or would be reasonably likely to have, individually or in the aggregate, a material adverse effect in respect of SCBT or Peoples and its subsidiaries, taken as a whole (measured on a scale relative to Peoples and its subsidiaries, taken as a whole), and the expiration or termination of

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all related statutory waiting periods. Such condition or restriction may include, without limitation, any determination by a regulatory authority that the bank mergers may not be consummated simultaneously with the effective time of the merger or that certain agreements between Peoples' bank subsidiaries and their regulators will not terminate and be of no further force and effect at the effective time of the bank mergers;

the absence of any order, injunction, decree or judgment by any court or governmental body or agency of competent jurisdiction or other legal restraint or prohibition preventing the completion of the merger or the other transactions contemplated by the merger agreement;

the authorization of the listing of the SCBT common stock to be issued in the merger on the NASDAQ Global Market, subject to official notice of issuance;

the effectiveness of the registration statement of which this proxy statement/prospectus is a part with respect to the SCBT common stock to be issued in the merger under the Exchange Act, and the absence of any stop order or proceedings threatened by the SEC for that purpose;

the accuracy of the representations and warranties of each other party in the merger agreement as of the day on which the merger is completed, subject to the materiality standards provided in the merger agreement and the performance of the other party in all material respects of all obligations required to be performed by it at or prior to the effective time of the merger under the merger agreement (and the receipt by each party of certificates from the other party to such effects); and

receipt by each of SCBT and Peoples of an opinion of legal counsel as to certain tax matters.

SCBT's obligations to complete the merger are further subject to (1) the bank mergers having been consummated and (2) the termination of each of the two formal agreements between the OCC and The Peoples National Bank and Bank of Anderson, N.A., respectively, in each case either immediately prior to or substantially simultaneously with the merger.

Neither Peoples nor SCBT can provide assurance as to when or if all of the conditions to the merger can or will be satisfied or waived by the appropriate party. As of the date of this proxy statement/prospectus, neither Peoples nor SCBT has reason to believe that any of these conditions will not be satisfied.

Termination of the Merger Agreement

The merger agreement can be terminated at any time prior to completion of the merger by mutual consent, or by either party in the following circumstances:

the merger has not been completed by September 19, 2012 (we refer to this date, as extended, as the end date), if the failure to complete the merger by the end date is not caused by the terminating party's breach of the merger agreement;

any required regulatory approval has been denied by the relevant regulatory authority and this denial has become final and nonappealable, or a regulatory authority has issued a final, nonappealable injunction permanently enjoining or otherwise prohibiting the completion of the merger or the other transactions contemplated by the merger agreement; or

there is a breach by the other party that would cause the failure of the closing conditions described above, and the breach is not cured prior to the earlier of the end date and 30 business days following written notice of the breach.

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In addition, SCBT may terminate the merger agreement in the following circumstances:

- Peoples' board of directors fails to recommend to the Peoples shareholders that they approve the merger agreement or withdraws, modifies or qualifies, or proposes or resolves to withdraw, modify or qualify, such recommendation in a manner adverse to SCBT;
- Peoples' board of directors fails to comply in all material respects with its non-solicitation obligations described above in " Agreement Not to Solicit Other Offers" or its obligations with respect to calling shareholder meetings and acquisition proposals described above in " Peoples Shareholder Meeting and Recommendation of Peoples' Board of Directors";
- Peoples' board of directors approves, recommends or endorses, or proposes or resolves to approve, recommend or endorse, an alternative transaction or acquisition proposal; or
- Peoples' shareholders do not approve the merger agreement and the transactions it contemplates at the special meeting or adjournment thereof.

Effect of Termination

If the merger agreement is terminated, it will become void, except that (1) both SCBT and Peoples will remain liable for any willful and material breach of the merger agreement and (2) designated provisions of the merger agreement will survive the termination, including those relating to payment of fees and expenses and the confidential treatment of information.

Termination Fee

Peoples will pay SCBT a $1.5 million termination fee in the following circumstances:

- if the merger agreement is terminated by SCBT in the following circumstances:
  - Peoples' board of directors fails to recommend to the Peoples shareholders that they approve the merger agreement or withdraws, modifies or qualifies, or proposes or resolves to withdraw, modify or qualify, such recommendation in a manner adverse to SCBT;
  - Peoples' board of directors fails to comply in all material respects with its non-solicitation obligations described above in " Agreement Not to Solicit Other Offers" or its obligations with respect to calling shareholder meetings and acquisition proposals described above in " Peoples Shareholder Meeting and Recommendation of Peoples' Board of Directors"; or
  - Peoples' board of directors approves, recommends or endorses, or proposes or resolves to approve, recommend or endorse, an alternative transaction or acquisition proposal.
- if the merger agreement is terminated by SCBT or Peoples in the following circumstances:
  - (1) an acquisition proposal or intent to make an acquisition proposal is made known to Peoples or its shareholders after the date of the merger agreement; (2) thereafter the merger agreement is terminated (a) by SCBT or Peoples

because the merger has not been completed by the end date and Peoples' shareholders have not yet approved the merger agreement, (b) by SCBT following a breach by Peoples or (c) by SCBT, because Peoples shareholders fail to approve the merger agreement at the shareholder meeting; and (3) Peoples consummates an alternative transaction or enters into any letter of intent, agreement in principle, acquisition agreement or other similar agreement related to an alternative transaction, in each case within 18 months of the date the merger agreement is terminated.

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Expenses and Fees

Except as set forth above, each of SCBT and Peoples will be responsible for all costs and expenses incurred by it in connection with the negotiation and completion of the transactions contemplated by the merger agreement.

Amendment, Waiver and Extension of the Merger Agreement

Subject to applicable law, SCBT and Peoples may amend the merger agreement by written agreement. However, after any approval of the merger agreement by Peoples' shareholders, there may not be, without further approval of Peoples' shareholders, any amendment of the merger agreement that requires further approval under applicable law.

At any time prior to the effective time of the merger, each party, to the extent legally allowed, may extend the time for the performance of any of the obligations or other acts of the other party; waive any inaccuracies in the representations and warranties of the other party; and waive compliance by the other party with any of the agreements and conditions contained in the merger agreement.

Voting Agreements

In connection with entering into the merger agreement, SCBT entered into a voting and support agreement with each of the directors of Peoples, as well as Alexander C. Dye, Director of Expansion and Development of Peoples, which we refer to collectively as the voting agreements. The following summary of the voting agreements is subject to, and qualified in its entirety by reference to, the form of voting agreement attached to this proxy statement/prospectus as Annex D.

Pursuant to the voting agreements, each shareholder party to a voting agreement agreed to vote his, her or its shares of Peoples common stock:

- in favor of the approval of the merger agreement;
- in favor of any proposal to adjourn or postpone any shareholder meeting to a later date if there are not sufficient votes for approval of the merger agreement on the date on which such shareholder meeting is held;
- in favor of any action in furtherance of either of the foregoing;
- against any action or agreement that is intended, or could be reasonably expected to, result in a breach of any representation, warranty, covenant or obligation of Peoples in the merger agreement or impair the ability of Peoples to complete the merger or that would otherwise be inconsistent with, prevent, impede or delay the completion of the merger; and
- against any agreement, transaction or proposal that relates to an acquisition proposal or alternative transaction, other than the merger and the other transactions contemplated by the merger agreement.

The voting agreements provide that each shareholder party to a voting agreement will not, other than pursuant to the merger, directly or indirectly:

- sell (including short sell), transfer, pledge, encumber or otherwise dispose of (including by gift) any of such shareholder's shares of Peoples common stock; or
- enter into any contract providing for any action described in the preceding bullet.

The voting agreements will terminate upon the earlier of the effective time of the merger and the termination of the merger agreement in accordance with its terms.

As of the record date, the shareholders that are party to the voting agreements beneficially own an aggregate of approximately [ ] outstanding shares of Peoples common stock, which represent approximately [ ]% of the shares of Peoples common stock entitled to vote at the special meeting.

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ACCOUNTING TREATMENT

The merger will be accounted for as an acquisition by SCBT using the acquisition method of accounting. Accordingly, the assets (including identifiable intangible assets) and liabilities (including executory contracts and other commitments) of Peoples as of the effective time of the merger will be recorded at their respective fair values and added to those of SCBT. Any excess of purchase price over the fair values is recorded as goodwill. The consolidated financial statements of SCBT will reflect these fair values and the results of operations of Peoples only after the merger closes and will not be restated retroactively to reflect the historical financial position or results of operations of Peoples. The purchase price will be determined by adding (1) the product obtained by multiplying (a) the number of shares of Peoples common stock to be cancelled in the merger, (b) 0.1413, the exchange ratio, and (c) the closing price of SCBT's common shares on the last trading day prior to the date of acquisition, (2) the amount of cash paid by SCBT for Peoples' outstanding stock options and (3) the amount of cash paid to redeem Peoples' outstanding Series T and Series W Preferred Stock.

MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER

The following is a general discussion of certain material U.S. federal income tax consequences of the merger to "U.S. holders" (as defined below) of Peoples common stock that exchange their shares of Peoples common stock for shares of SCBT common stock in the merger. The following discussion is based upon the Code, the U.S. Treasury regulations promulgated thereunder and judicial and administrative authorities, rulings and decisions, all as in effect as of the date of this proxy statement/prospectus. These authorities may change, possibly with retroactive effect, and any such change could affect the accuracy of the statements and conclusions set forth in this discussion. This discussion does not address any tax consequences arising under the unearned income Medicare contribution tax pursuant to the Health Care and Education Reconciliation Act of 2010, nor does it address any tax consequences arising under the laws of any state, local or foreign jurisdiction, or under any U.S. federal laws other than those pertaining to the income tax.

The following discussion applies only to U.S. holders of shares of Peoples common stock who hold such shares as a capital asset within the meaning of Section 1221 of the Code (generally, property held for investment). Further, this discussion does not purport to consider all aspects of U.S. federal income taxation that might be relevant to U.S. holders in light of their particular circumstances and does not apply to U.S. holders subject to special treatment under the U.S. federal income tax laws (such as, for example, dealers or brokers in securities, commodities or foreign currencies, traders in securities that elect to apply a mark-to-market method of accounting, banks and certain other financial institutions, insurance companies, mutual funds, tax-exempt organizations, holders subject to the alternative minimum tax provisions of the Code, partnerships, S corporations or other pass-through entities or investors in partnerships, S corporations or such other pass-through entities, regulated investment companies, real estate investment trusts, controlled foreign corporations, passive foreign investment companies, former citizens or residents of the United States, U.S. expatriates, holders whose functional currency is not the U.S. dollar, holders who hold shares of Peoples common stock as part of a hedge, straddle, constructive sale or conversion transaction or other integrated investment, holders who acquired Peoples common stock pursuant to the exercise of employee stock options, through a tax qualified retirement plan or otherwise as compensation, holders who exercise appraisal rights, or holders who actually or constructively own more than 5% of Peoples common stock).

For purposes of this discussion, the term "U.S. holder" means a beneficial owner of Peoples common stock that is for U.S. federal income tax purposes (1) an individual citizen or resident of the United States, (2) a corporation, or entity treated as a corporation for U.S. federal income tax purposes, organized in or under the laws of the United States or any state thereof or the District of Columbia, (3) a trust if (a) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (b) such trust has made a valid election to be treated as a U.S. person for U.S. federal income tax purposes or (4) an estate, the income of which is includible in gross income for U.S. federal income tax purposes, regardless of its source.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds Peoples common stock, the tax treatment of a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Any entity treated as a partnership for U.S. federal income tax purposes that holds Peoples common stock, and any partners in such partnership, should consult their own tax advisors.

Determining the actual tax consequences of the merger to you may be complex and will depend on your specific situation and on factors that are not within our control. You should consult your own tax advisor as to the specific tax consequences of the merger in your particular circumstances, including the applicability and effect of the alternative minimum tax and any state, local, foreign and other tax laws and of changes in those laws.

Tax Consequences of the Merger Generally

The parties intend for the merger to qualify as a reorganization for U.S. federal income tax purposes. It is a condition to the obligation of SCBT to complete the merger that SCBT receive an opinion from Wachtell, Lipton, Rosen & Katz, dated the closing date of the merger, to the effect that the merger will qualify as a "reorganization" within the meaning of Section 368(a) of the Code. It is a condition to the obligation of Peoples to complete the merger that Peoples receive an opinion from Haynsworth Sinkler Boyd, P.A., dated the closing date of the merger, to the effect that the merger will qualify as a "reorganization" within the meaning of Section 368(a) of the Code. These opinions will be based on representation letters provided by SCBT and Peoples and on customary factual assumptions. Neither of the opinions described above will be binding on the Internal Revenue Service, which we refer to as the IRS, or any court. SCBT and Peoples have not sought and will not seek any ruling from the IRS regarding any matters relating to the merger, and as a result, there can be no assurance that the IRS will not assert, or that a court would not sustain, a position contrary to any of the conclusions set forth below. In addition, if any of the representations or assumptions upon which those opinions are based are inconsistent with the actual facts, the U.S. federal income tax consequences of the merger could be adversely affected.

Provided the merger qualifies as a "reorganization" within the meaning of Section 368(a) of the Code, upon exchanging your Peoples common stock for SCBT common stock, you generally will not recognize gain or loss, except with respect to cash received instead of fractional shares of SCBT common stock (as discussed below). The aggregate tax basis of the SCBT common stock that you receive in the merger (including any fractional shares deemed received and redeemed for cash as described below) will equal your aggregate adjusted tax basis in the shares of Peoples common stock you surrender in the merger. Your holding period for the shares of SCBT common stock that you receive in the merger (including any fractional share deemed received and redeemed for cash as described below) will include your holding period of the shares of Peoples common stock that you surrender in the merger. If you acquired different blocks of Peoples common stock at different times or at different prices, the SCBT common stock you receive will be allocated pro rata to each block of Peoples common stock, and the basis and holding period of each block of SCBT common stock you receive will be determined on a block-for-block basis depending on the basis and holding period of the blocks of Peoples common stock exchanged for such block of SCBT common stock.

Cash Instead of Fractional Shares

If you receive cash instead of a fractional share of SCBT common stock, you will be treated as having received such fractional share of SCBT common stock pursuant to the merger and then as

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having received cash in exchange for such fractional share of SCBT common stock. As a result, you generally will recognize gain or loss equal to the difference between the amount of cash received and the basis in your fractional share of SCBT common stock as set forth above. Such gain or loss generally will be capital gain or loss and will be long-term capital gain or loss if, as of the effective date of the merger, the holding period for such fractional share (including the holding period of shares of Peoples common stock surrendered therefor) exceeds one year. Long-term capital gains of individuals are generally eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Information Reporting and Backup Withholding

If you are a non-corporate holder of Peoples common stock, you may be subject, under certain circumstances, to information reporting and backup withholding (currently at a rate of 28%) on any cash payments you receive. You generally will not be subject to backup withholding, however, if you (1) furnish a correct taxpayer identification number, certify that you are not subject to backup withholding and otherwise comply with all the applicable requirements of the backup withholding rules; or (2) provide proof that you are otherwise exempt from backup withholding. Any amounts withheld under the backup withholding rules are not an additional tax and will generally be allowed as a refund or credit against your U.S. federal income tax liability, provided you timely furnish the required information to the IRS.

This discussion of certain material U.S. federal income tax consequences is for general information purposes only and is not tax advice. Holders of Peoples common stock are urged to consult their tax advisors with respect to the application of U.S. federal income tax laws to their particular situations as well as any tax consequences arising under the U.S. federal estate or gift tax rules, or under the laws of any state, local, foreign or other taxing jurisdiction or under any applicable tax treaty.

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DESCRIPTION OF CAPITAL STOCK OF SCBT

As a result of the merger, Peoples shareholders who receive shares of SCBT common stock in the merger will become shareholders of SCBT. Your rights as shareholders of SCBT will be governed by South Carolina law and the articles of incorporation and the amended and restated bylaws of SCBT. The following briefly summarizes the material terms of SCBT common stock. We urge you to read the applicable provisions of the South Carolina Business Corporation Act, SCBT's articles of incorporation and bylaws and federal laws governing bank holding companies carefully and in their entirety. Copies of SCBT's and Peoples' governing documents have been filed with the SEC. To find out where copies of these documents can be obtained, see "Where You Can Find More Information."

Authorized Capital Stock

SCBT's authorized capital stock consists of 40,000,000 shares of common stock, par value $2.50 per share and 10,000,000 shares of preferred stock, par value $0.01 per share. As of the record date, there were [   ] shares of SCBT common stock outstanding, [   ] shares of SCBT preferred stock outstanding and warrants to purchase [   ] shares of SCBT common stock outstanding.

Common Stock

Dividend Rights

SCBT can pay dividends if, as and when declared by SCBT's board of directors, subject to compliance with limitations imposed by law. The holders of SCBT common stock will be entitled to receive and share equally in these dividends as they may be declared by SCBT's board of directors out of funds legally available for such purpose. If SCBT issues preferred stock, the holders of such preferred stock may have a priority over the holders of the common stock with respect to dividends.

Voting Rights

Each holder of SCBT common stock will be entitled to one vote per share and will not have any right to cumulate votes in the election of directors. Directors will be elected by a majority of the shares actually voting on the matter at each annual meeting or special meeting called for the purpose of electing such directors. If SCBT issues preferred stock, holders of the preferred stock may also possess voting rights.

Liquidation Rights

In the event of liquidation, dissolution or winding-up of SCBT, whether voluntary or involuntary, the holders of SCBT common stock would be entitled to receive, after payment or provision for payment of all its debts and liabilities, all of the assets of SCBT available for distribution. If preferred stock is issued, the holders thereof may have a priority over the holders of the common stock in the event of liquidation or dissolution.

Preemptive Rights

Holders of the common stock of SCBT will not be entitled to preemptive rights with respect to any shares which may be issued. Preemptive rights are the priority right to buy additional shares if SCBT issues more shares in the future. Therefore, if additional shares are issued by SCBT without the opportunity for existing shareholders to purchase more shares, a shareholder's ownership interest in SCBT may be subject to dilution.

For more information regarding the rights of holders of SCBT common stock, see "Comparison of Shareholders' Rights."

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Preferred Stock

SCBT's articles of incorporation permit SCBT's board of directors to issue up to 10,000,000 shares of preferred stock in one or more series, with such designations, titles, voting powers, preferences and rights and such qualifications, limitations and restrictions as may be fixed by SCBT's board of directors without any further action by SCBT shareholders. The issuance of preferred stock could adversely affect the rights of holders of common stock.

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COMPARISON OF SHAREHOLDERS' RIGHTS

If the merger is completed, holders of Peoples common stock will receive shares of SCBT common stock in exchange for their shares of Peoples common stock. Both Peoples and SCBT are organized under the laws of the State of South Carolina. The following is a summary of the material differences between (1) the current rights of Peoples shareholders under the BCA and Peoples' articles of incorporation and bylaws and (2) the current rights of SCBT shareholders under the BCA and SCBT's articles of incorporation and bylaws.

SCBT and Peoples believe that this summary describes the material differences between the rights of holders of SCBT common stock as of the date of this proxy statement/prospectus and the rights of holders of Peoples common stock as of the date of this proxy statement/prospectus, however, it does not purport to be a complete description of those differences. Copies of SCBT's and Peoples' governing documents have been filed with the SEC. To find out where copies of these documents can be obtained, see "Where You Can Find More Information."

Authorized Capital Stock

SCBT

SCBT's articles of incorporation authorize it to issue up to 40,000,000 shares of common stock, par value $2.50 per share and 10,000,000 shares of preferred stock, par value $0.01 per share. As of the record date, there were [ ] shares of SCBT common stock outstanding, [ ] shares of SCBT preferred stock outstanding and warrants to purchase [ ] shares of SCBT common stock outstanding.

Peoples

Peoples' articles of incorporation authorize Peoples to issue up to 15,000,000 shares of common stock, par value $1.11 per share, and 15,000,000 shares of preferred stock, no par value. As of the record date, there were [ ] shares of Peoples common stock outstanding and [ ] shares of Peoples preferred stock outstanding.

Voting Limitations

SCBT

Section 35-2-101 et seq. of the Code of Laws of South Carolina contains a control share acquisition statute that, in general terms, provides that where a shareholder acquires issued and outstanding shares of a corporation's voting stock (referred to as control shares) within one of several specified ranges (one-fifth or more but less than one-third, one-third or more but less than a majority, or a majority or more), approval of the control share acquisition by the corporation's shareholders must be obtained before the acquiring shareholder may vote the control shares. The required shareholder vote is a majority of all votes entitled to be cast, excluding "interested shares," defined as shares held by the acquiring person, officers of the corporation and employees who are also directors of the corporation. A corporation may, however, opt-out of the control share statute through a charter or bylaw provision, which SCBT has done pursuant to its bylaws. Accordingly, the South Carolina control share acquisition statute does not apply to acquisitions of shares of SCBT common stock. Although not anticipated, SCBT could seek shareholder approval of an amendment to its bylaws to eliminate the opt-out provision. See " Amendments to Articles of Incorporation and Bylaws."

Peoples

Neither Peoples' articles of incorporation nor its bylaws contain a provision opting out of the South Carolina control share acquisition statute described above. Accordingly, the provisions of the control share acquisition statute, which limit the voting rights of any shareholder who acquires more

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than one-fifth of the issued and outstanding shares of Peoples voting stock in the manner described above, currently apply to Peoples shareholders.

Size of Board of Directors

SCBT

SCBT's articles of incorporation currently provide that SCBT's board of directors shall consist of a maximum of twenty directors and that directors may increase membership on the board of directors up to this maximum. The provisions of SCBT's articles of incorporation concerning the size of SCBT's board of directors may only be amended or repealed by a vote of not less than 80% of the outstanding voting stock of SCBT. SCBT's board of directors currently has 16 directors.

Peoples

Peoples' bylaws provide that the size of its board of directors shall be determined by resolution of the Peoples board of directors at any meeting thereof, but shall never be less than six. Increases or decreases in the number of directors shall not exceed thirty percent of the number of directors last approved by Peoples shareholders, unless such increase or decrease is separately approved by Peoples shareholders. In the absence of a specific approval of a number of directors by the shareholders, the shareholders will be deemed to have approved, at each annual meeting, the number of directors holding office at the end of such meeting. Peoples' board of directors currently has 14 directors.

Cumulative Voting and Election of Directors

SCBT

SCBT shareholders do not have the right to cumulate their votes with respect to the election of directors. In order to be elected, each director nominee must receive a majority of votes cast by SCBT common shareholders at each annual meeting of the shareholders, or a similar vote at any special meeting called for the purpose of electing directors.

Peoples

Under South Carolina law, shareholders may cumulate their votes for directors unless a corporation's articles of incorporation provide otherwise. Peoples' articles of incorporation do not prevent cumulative voting, so Peoples' shareholders have the right to cumulate their votes for directors upon compliance with requirements of the BCA. Directors are elected by a plurality of the votes cast by Peoples shareholders.

Classes of Directors

SCBT

SCBT's board of directors is divided into three classes, as nearly equal in number as reasonably possible, with each class of directors serving for successive three-year terms so that each year the term of only one class of directors expires.

Peoples

Peoples' board of directors is divided into three classes, as nearly equal in number as reasonably possible, with each class of directors serving for successive three-year terms unless a shorter term is specified by the Peoples board of directors.

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Removal of Directors

SCBT

Directors may be removed, with or without cause, only by the affirmative vote of holders of 80% of SCBT's common shares. Cause shall mean fraudulent or dishonest acts or gross abuse of authority in the discharge of duties to SCBT and shall be established after written notice of specific charges and the opportunity to meet and refute such charges.

Peoples

Peoples' bylaws provide that at any meeting of Peoples shareholders called expressly to remove a Peoples director, any director or the entire board of directors may be removed, with or without cause, by a vote of the Peoples shareholders; provided, however, that a director may not be removed if the votes cast against the director's removal would be sufficient to cause the director to be elected under cumulative voting.

Filling Vacancies on the Board of Directors

SCBT

Except in the event that a director is serving at the election of the preferred stockholders, newly created directorships resulting from an increase in the number of directors and vacancies occurring in any office or directorship for any reason, including removal of an officer or director with or without cause, may be filled by the vote of a majority of the directors then in office, even if less than a quorum exists. The term of any director elected to fill a vacancy shall expire at the next meeting of shareholders at which directors are elected.

Peoples

Any vacancy occurring in the Peoples board of directors (by death, resignation or removal or through an increase in the number of directors in any class, or otherwise) may be filled by the affirmative vote of a majority of the remaining directors to the extent permitted by law. A director elected to fill a vacancy shall be elected to serve until the next annual meeting of shareholders.

Special Meetings of Shareholders

SCBT

Under SCBT's bylaws, special meetings of shareholders may be called by the President, the Chairman of the Board of Directors, a majority of SCBT's board of directors or by the holders of not less than ten percent (10%) of all SCBT common shares entitled to vote at such meeting. The place of such meetings shall be designated by the directors.

Peoples

Under Peoples' bylaws, a special meeting of the shareholders may be called at any time by the Chief Executive Officer, the Chairman of the Board of Directors or a majority of Peoples' board of directors. Only such business will be transacted at a special meeting as may be stated or indicated in the notice of such meeting.

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Quorum

SCBT

Under SCBT's bylaws, a majority of SCBT common shares entitled to vote shall constitute a quorum for the transaction of business at any meeting of SCBT shareholders except a special meeting called to consider a merger, consolidation or sale of substantially all of the assets of SCBT that has not been recommended by SCBT's board of directors, at which 80% of SCBT common shares entitled to vote shall be necessary to constitute a quorum. If a quorum is not present or represented at a meeting of shareholders, a meeting may be adjourned despite the absence of a quorum.

Peoples

Peoples' bylaws provide that the holders of a majority of the outstanding Peoples' common shares entitled to vote, present in person or represented by proxy, will constitute a quorum at any meeting of shareholders, except as otherwise provided by law.

Dividends

SCBT

Under South Carolina law, which is the law of the state where SCBT is incorporated, SCBT may not declare a dividend if, after giving effect to such dividend, it would not be able to pay its debts as they become due in the ordinary course of business or if its total assets would be less than the sum of its total liabilities plus the amount that would be needed, if the corporation were to be dissolved at the time the dividend was declared, to satisfy the preferential rights of any holders of SCBT preferred shares. In addition, the Federal Reserve Board has the authority to restrict dividends issued by bank holding companies, including SCBT.

Peoples

Peoples is also subject to the same statutory restrictions on declaring dividends, because Peoples is also incorporated in South Carolina. In addition, Peoples is currently subject to a memorandum of understanding with the Federal Reserve Bank of Richmond and The Peoples National Bank and Bank of Anderson, N.A., both subsidiary banks of Peoples, are both subject to formal agreements with the OCC. Each of the memorandum of understanding and the formal agreements restricts Peoples and Peoples' subsidiary banks from declaring dividends without the prior authorization of the appropriate regulatory authority.

Notice of Shareholder Meetings

SCBT

SCBT's bylaws provide that SCBT must give written notice between 10 and 60 days before any shareholder meeting to each shareholder entitled to vote at such meeting and to each other shareholder entitled to notice of the meeting. The notice must state the place, date and hour of the meeting, and, in the case of a special meeting, the purpose or purposes of the meeting. Additionally, if at any meeting SCBT's bylaws are to be altered, repealed, amended, or adopted, notice of such meeting must make this clear.

Peoples

Peoples' bylaws provide that Peoples must give written notice, either personally or by mail, between 10 and 60 days before any shareholder meeting to each shareholder entitled to vote at such a

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meeting. The notice shall state the place, date and hour, and, in the case of a special meeting, the purpose or purposes for which the special meeting is called.

Anti-Takeover Provisions and Other Shareholder Protections

SCBT

Under SCBT's articles of incorporation, certain business combinations (for example, mergers, share exchanges, consolidations or a sale of all or substantially all of SCBT's assets) that are not recommended by SCBT's board of directors require, in addition to any vote required by law, the approval of the holders of at least 80% of the outstanding SCBT shares entitled to vote on such business combinations. In addition, if such business combination involves any SCBT shareholder owning or controlling 20% or more of the SCBT's voting stock at the time of the proposed transaction (which we refer to as a controlling party), and (1) certain fair price requirements are not satisfied or (2) the business combination is not recommended by a majority of the entire SCBT board of directors, then such business combination must be approved by at least 80% of the outstanding SCBT shares entitled to vote on such business combination and at least 67% of the outstanding SCBT shares entitled to vote on such business combination that are not held by the controlling party.

Peoples

Under Peoples' articles of incorporation, Peoples is not permitted to enter into certain business combinations (for example, mergers, consolidations, a sale of all or substantially all of Peoples' assets or share reclassifications) that involve a Peoples shareholder owning 10% or more of the outstanding shares of Peoples voting stock (which we refer to as a major stockholder) unless (1) the business combination was approved by the Peoples board of directors prior to the major stockholder becoming such, (2) the major stockholder obtained the unanimous prior approval of the Peoples board of directors to become a major stockholder, and the business combination was approved by a majority of Peoples directors who were Peoples directors prior to the major stockholder becoming such, (3) the business combination was approved by at least 80% of Peoples directors who were Peoples directors prior to the major stockholder becoming such or (4) the business combination was approved by the holders of at least 80% of the outstanding Peoples shares entitled to vote and 80% of the outstanding Peoples shares beneficially owned by holders other than the major stockholder.

Limitation of Personal Liability of Officers and Directors

Both SCBT's and Peoples' articles of incorporation provide for the elimination or limitation of director liability for monetary damages to the maximum extent allowed by South Carolina law.

Indemnification of Directors and Officers and Insurance

SCBT

SCBT's bylaws provide for the indemnification of any current and former directors to the fullest extent authorized by law. SCBT may advance reasonable expenses to directors, provided that if required by law, such advancement of expenses shall only be made if the director seeking such advancement provides SCBT with a written affirmation of his good faith belief that he met the standard of conduct required by law and a written undertaking to repay the advance if it is ultimately determined that he did not meet that standard of conduct. SCBT's bylaws further provide that SCBT may, to the extent authorized from time to time by SCBT's board of directors, grant rights of indemnification and to the advancement of expenses to any officer, employee or agent of the SCBT consistent with the other provisions of SCBT's bylaws concerning the indemnification and advancement of expenses to SCBT directors.

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SCBT's bylaws provide that SCBT may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of SCBT or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not SCBT would have the power to indemnify such person against such expense, liability or loss under applicable law.

Peoples

Peoples' articles of incorporation provide that Peoples will indemnify any current or former director, officer, employee or agent of Peoples to the fullest extent authorized by law.

Amendments to Articles of Incorporation and Bylaws

SCBT

The BCA provides that SCBT's articles of incorporation generally may be amended upon approval by the board of directors and the holders of two-thirds of the SCBT outstanding shares entitled to vote. Pursuant to SCBT's articles of incorporation, however, the amendment of certain provisions of the articles of incorporation requires the vote of the holders of at least 80% of the SCBT's outstanding shares. These include provisions relating to issuing SCBT's capital stock; the approval of certain business combinations not approved by SCBT's board of directors; the number, classification, election and removal of directors; and amendments to SCBT's bylaws.

SCBT's bylaws may be amended either by a majority of the entire SCBT board of directors or by a vote of the holders of at least 80% of SCBT's outstanding shares entitled to vote.

Peoples

The BCA provides that Peoples' articles of incorporation generally may be amended upon approval by the board of directors and the holders of two-thirds of the Peoples outstanding shares entitled to vote. However, the amendment of the provisions of Peoples' articles of incorporation concerning business combinations with major stockholders must be approved by at least 80% of the outstanding Peoples shares entitled to vote and 80% of the outstanding Peoples shares beneficially owned by holders other than the major stockholder.

Peoples' bylaws may be amended by a majority of the outstanding shares entitled to vote or by the board of directors.

Action by Written Consent of the Shareholders

SCBT

Under SCBT's bylaws, SCBT shareholders may act without a shareholder meeting by written consent. Such written consent must set forth the action so taken and be signed by the holders of all SCBT's outstanding shares entitled to vote upon such action or their attorneys-in-fact or proxy holders.

Peoples

Under Peoples' bylaws, any action which may be taken, or is required by law, Peoples' articles of incorporation, or Peoples' bylaws to be taken at a meeting of shareholders may be taken without a shareholder meeting if a consent in writing, setting forth the action so taken, is signed by all of the Peoples shareholders entitled to vote on such action. Such consent shall have the same force and effect as a unanimous vote of such shareholders.

Shareholder Rights Plan

Neither SCBT nor Peoples currently has a shareholder rights plan in effect.

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Rights of Dissenting Shareholders

The dissenters' rights of both Peoples and SCBT shareholders are governed in accordance with the BCA. Under South Carolina law, a dissenting or objecting shareholder has the right to demand and receive payment of the fair value of the shareholder's shares in the event of (1) the consummation of a plan of merger if shareholder approval is required and the shareholder is entitled to vote on the plan, or if the corporation to be merged is a subsidiary that is merged with its parent; (2) the consummation of plan of share exchange if the shareholder is entitled to vote on the plan; (3) the consummation of a sale or exchange of all or substantially all of the property of the corporation other than in the ordinary course of business if the shareholder is entitled to vote on the sale or exchange; (4) an amendment to the corporation's articles of incorporation in a way that materially and adversely affects the shareholder's rights; (5) in certain circumstances, the conversion of a corporation into a limited liability company or a partnership; or (6) a transaction, to the extent the corporation's articles of incorporation, bylaws or a resolution of the corporation's board of directors provides for dissenters' rights relating to such a transaction.

The BCA provides that a shareholder may not demand the fair value of the shareholder's shares and is bound by the terms of the transaction if, among other things, the shares are listed on a national securities exchange on the record date for determining shareholders entitled to vote on the matter. Shares of SCBT common stock are currently listed on the NASDAQ Global Market, a national securities exchange. Shares of Peoples common stock are not currently listed on a national securities exchange.

See "The Merger Dissenters' Rights in the Merger."

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COMPARATIVE MARKET PRICES AND DIVIDENDS

SCBT common stock is listed on the NASDAQ Global Market under the symbol "SCBT," and Peoples common stock is quoted on the OTC Bulletin Board under the symbol "PBCE." The following table sets forth the high and low reported intra-day sales prices per share of SCBT common stock and Peoples common stock, and the cash dividends declared per share for the periods indicated.

	SCBT Common Stock			Peoples Common Stock		
	High	**Low**	**Dividend**	**High**	**Low**	**Dividend**
2009						
First Quarter	34.37	16.53	0.17	3.50	1.35	
Second Quarter	26.76	19.68	0.17	3.75	2.55	
Third Quarter	28.83	20.58	0.17	3.10	2.70	
Fourth Quarter	28.36	25.14	0.17	3.25	2.05	
2010						
First Quarter	38.78	27.59	0.17	2.90	1.75	
Second Quarter	41.03	32.78	0.17	2.76	1.75	
Third Quarter	35.36	28.28	0.17	1.89	1.35	
Fourth Quarter	32.86	29.84	0.17	1.85	1.12	
2011						
First Quarter	34.00	30.10	0.17	1.72	1.25	
Second Quarter	36.18	27.10	0.17	2.00	1.05	
Third Quarter	31.00	24.54	0.17	1.65	1.50	
Fourth Quarter	30.82	24.02	0.17	4.00	1.00	
2012						
First Quarter (through [ ], 2012)	[ ]	[ ]	[ ]	[ ]	[ ]	

On December 19, 2011, the last full trading day before the public announcement of the merger agreement, the high and low sales prices of shares of SCBT common stock as reported on the NASDAQ Global Market were $28.49 and $27.04, respectively. On [ ], 2011, the last practicable trading day before the date of this proxy statement/prospectus, the high and low sales prices of shares of SCBT common stock as reported on the NASDAQ Global Market were $[ ] and $[ ], respectively.

On December 19, 2011, the last full trading day before the public announcement of the merger agreement, the high and low bid prices of shares of Peoples common stock as reported on the OTC Bulletin Board were $1.58 and $1.50, respectively. On [ ], 2011, the last practicable trading day before the date of this proxy statement/prospectus, the high and low bid prices of shares of Peoples common stock as reported on the OTC Bulletin Board were $[ ] and $[ ], respectively.

As of [ ], 2012, the last date prior to printing this proxy statement/prospectus for which it was practicable to obtain this information, there were approximately [ ] registered holders of SCBT common stock and approximately [ ] registered holders of Peoples common stock.

Peoples shareholders are advised to obtain current market quotations for SCBT common stock and Peoples common stock. The market price of SCBT common stock and Peoples common stock will fluctuate between the date of this proxy statement/prospectus and the date of completion of the merger. No assurance can be given concerning the market price of SCBT common stock or Peoples common stock before or after the effective date of the merger. Changes in the market price of SCBT common stock prior to the completion of the merger will affect the market value of the merger consideration that Peoples' shareholders will receive upon completion of the merger.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT OF PEOPLES

The following table sets forth, as of January 25, 2012, the number of shares and percentage of the outstanding Peoples common stock beneficially owned by each of Peoples' directors and executive officers and by all executive officers and directors as a group. In addition to Mr. Robert E. Dye, Jr. who serves as a director of Peoples, management is aware that Mr. Alexander C. Dye, Director of Expansion and Development of Peoples, beneficially owns more than 5% of the issued and outstanding shares of Peoples common stock. There are no executive officers of Peoples who are not also directors of Peoples.

Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class(1)
Non-Director Five Percent Beneficial Owners		
Alexander C. Dye	465,950(2)	6.62%
Directors		
Paul C. Aughtry, III	76,861(3)	1.09%
Charles E. Dalton	40,803(4)	0.58%
Robert E. Dye, Jr.	526,175(5)	7.47%
W. Rutledge Galloway	185,935(6)	2.64%
E. Smyth McKissick, III	162,313(7)	2.31%
Eugene W. Merritt, Jr.	50,781(8)	0.72%
George B. Nalley, Jr.	175,244(9)	2.49%
George Weston Nalley	30,865(10)	0.44%
Timothy J. Reed	7,250(11)	0.10%
R. Riggie Ridgeway	126,383(12)	1.80%
William R. Rowan, III	16,747(13)	0.24%
D. Gray Suggs	4,628(14)	0.07%
William B. West	42,016(15)	0.60%
L. Andrew Westbrook, III	42,254(16)	0.60%
All Executive Officers and Directors as a Group 14 persons)	1,488,255	21.03%

(1) Pursuant to the rules of the Securities and Exchange Commission, shares of Peoples common stock that a beneficial owner has the right to acquire within 60 days pursuant to the exercise of stock options are deemed to be outstanding for purposes of computing the percentage of ownership of the option holder, but not for the purpose of computing the percentage of ownership of any other person.

(2) Includes 193,486 shares owned by Mr. Dye's wife, 34,483 shares owned jointly with Mr. Dye's wife, 24,891 shares held as custodian for Mr. Dye's minor children and 2,735 shares subject to currently exercisable options.

(3) Includes 29,850 shares owned by Mr. Aughtry's wife, 2,000 shares held by Mr. Aughtry's minor children and 2,000 shares subject to currently exercisable options.

(4) Includes 3,657 shares owned jointly with Mr. Dalton's wife and 1,002 shares subject to currently exercisable options.

(5) Includes 221,732 shares held by Mr. Dye's wife, 34,940 shares held as custodian for Mr. Dye's minor children and 6,567 shares subject to currently exercisable options.

(6) Includes 79,343 shares owned jointly with Mr. Galloway's wife.

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(7) Includes 1,002 shares subject to currently exercisable options.

(8) Includes 14,675 shares owned jointly with Mr. Merritt's wife, 6,869 shares held by Mr. Merritt's wife and 1,002 shares subject to currently exercisable options.

(9) Includes 29,452 shares owned by Mr. Nalley's wife, 26,647 shares owned by Mr. Nalley's business, of which he is President, and an aggregate of 57,878 shares held in two trusts administered by Mr. Nalley.

(10) Includes 3,076 shares subject to currently exercisable options.

(11) Includes 2,000 shares subject to currently exercisable options.

(12) Includes 22,380 shares held jointly with Mr. Ridgeway's wife.

(13) Includes 2,525 shares subject to currently exercisable options.

(14) Includes 300 shares held by Mr. Suggs's minor children and 2,525 shares subject to currently exercisable options.

(15) Includes 20,278 shares owned jointly with Mr. West's wife.

(16) Includes 210 shares owned by Mr. Westbrook's wife, 525 shares held as custodian for Mr. Westbrook's minor children and 16,214 shares subject to currently exercisable options.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF PEOPLES AS OF AND FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

The following discussion is intended to assist in understanding the financial condition and results of operations of Peoples and should be read in conjunction with the consolidated financial statements of Peoples set forth elsewhere in this proxy statement/prospectus.

Critical Accounting Policies

Peoples has adopted various accounting policies, which govern the application of accounting principles generally accepted in the United States of America in the preparation of Peoples' consolidated financial statements. The significant accounting policies of Peoples are described in Note 1 of Peoples' "Notes to Consolidated Financial Statements" included elsewhere in this proxy statement/prospectus.

Certain accounting policies involve significant judgments and assumptions by management, which have a material impact on the carrying value of certain assets and liabilities; management considers such accounting policies to be critical accounting policies. The judgments and assumptions used by management are based on historical experience and other factors, which are believed to be reasonable under the circumstances. Because of the nature of the judgments and assumptions made by management, actual results could differ from these judgments and estimates and could have a material impact on the carrying values of assets and liabilities and the results of operations of Peoples.

Allowance for Loan Losses

Of these significant accounting policies, Peoples considers its policies regarding the allowance for loan losses, which we refer to as the Allowance, to be its most critical accounting policy due to the significant degree of management judgment involved in determining the amount of the Allowance. Peoples has developed policies and procedures for assessing the adequacy of the Allowance, recognizing that this process requires a number of assumptions and estimates with respect to its loan portfolio. Many of Peoples' estimates also rely heavily on real estate appraisals by third parties which are themselves estimates. Peoples' assessments may be impacted in future periods by changes in economic conditions, the impact of regulatory examinations, and the discovery of information with respect to borrowers, which is not known to management at the time of the issuance of the consolidated financial statements. See " Provision and Allowance for Loan Losses, Loan Loss Experience" for a more detailed description of Peoples' estimation process and methodology related to the Allowance.

With the declines in value of many debt and equity securities during 2010 due to economic conditions, Peoples has focused more attention on the process of determining if such declines in its equity securities are "other-than-temporarily impaired." The process of evaluating other-than-temporary impairment is inherently judgmental, involving the weighing of positive and negative factors and evidence that may be objective or subjective.

Assets Acquired in Settlement of Loans

Real estate and other property acquired in settlement of loans is recorded at the lower of cost or fair value less estimated selling costs, establishing a new cost basis when acquired. Fair value of such property is reviewed regularly and write-downs are recorded when it is determined that the carrying value of the property exceeds the fair value less estimated costs to sell. Write-downs resulting from the periodic reevaluation of such properties, costs related to holding such properties and gains and losses on the sale of foreclosed properties are charged against income. Costs relating to the development and improvement of such properties are capitalized.

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Income Taxes

Peoples uses assumptions and estimates in determining income taxes payable or refundable for the current year, deferred income tax liabilities and assets for events recognized differently in Peoples' consolidated financial statements and income tax returns, and income tax benefit or expense. Determining these amounts requires analysis of certain transactions and interpretation of tax laws and regulations. Management exercises judgment in evaluating the amount and timing of recognition of resulting tax liabilities and assets. These judgments and estimates are reevaluated on a continual basis as regulatory and business factors change. Valuation allowances are established to reduce deferred taxes if it is determined to be "more likely than not" that all or some portion of the potential deferred tax asset will not be realized. No assurance can be given that either the tax returns submitted or the income tax reported on the financial statements will not be adjusted by either adverse rulings by the United States Tax Court, changes in the tax code, or assessments made by the Internal Revenue Service. Peoples is subject to potential adverse adjustments, including, but not limited to, an increase in the statutory federal or state income tax rates, the permanent non-deductibility of amounts currently considered deductible either now or in future periods, and the dependency on the generation of future taxable income, including capital gains, in order to ultimately realize deferred income tax assets.

Discussion of Changes in Financial Condition

Total assets decreased $15,531,000 or 2.8% to $541,070,000 at December 31, 2010 from $556,601,000 at December 31, 2009.

Peoples experienced a decline in lending activity during 2010 as total outstanding loans, the largest single category of assets, decreased $32,861,000 or 8.8% from $373,574,000 at December 31, 2009 to $340,713,000 at December 31, 2010. This decrease comes primarily as the result of lower loan demand from creditworthy borrowers at Peoples' three bank subsidiaries, with some decrease resulting from a number of loans that were charged off or converted into real estate owned through foreclosures or deeds in lieu of foreclosure.

Peoples' securities portfolio collectively, at amortized cost, increased $28,933,000 or 25.6% from $113,145,000 at December 31, 2009 to $142,078,000 at December 31, 2010. The increase is part of a strategy designed to replace a portion of maturing loans with securities in order to maintain Peoples' overall investment in earning assets while increasing its liquidity. Proceeds of the sale of securities in the available-for-sale portfolio in 2009 amounted to approximately $320,000, resulting in a realized gain of $10,000 in 2009. Similar sales in 2010 totaled $18,560,000 resulting in realized gains of $1,056,000. Maturities, calls, and principal pay-downs on all securities amounted to $29,216,000 in 2010 compared to $26,367,000 in 2009. During 2010, Peoples made purchases of $75,887,000 in available-for-sale securities and no purchases in securities held to maturity compared to $29,036,000 in available-for-sale securities and no purchases in securities held to maturity in 2009. None of Peoples' mortgage-backed securities are backed by subprime mortgages, and accordingly their value has not been diminished by the "subprime crisis." Peoples does not engage in, and does not expect to engage in, hedging activities.

Cash and due from banks balances decreased $5,250,000 or 44.3% from $11,862,000 at December 31, 2009 to $6,612,000 at December 31, 2010. Peoples had $10,631,000 in federal funds sold as of December 31, 2010, compared to $14,592,000 in federal funds sold at December 31, 2009. The swings in the levels of cash and federal funds sold are due to fluctuations in Peoples' subsidiary banks' needs and sources for immediate and short-term liquidity.

Cash surrender value of life insurance increased $487,000 or 4.0% from $12,304,000 at December 31, 2009 to $12,791,000 at December 31, 2010, due to the normal appreciation in the cash surrender value associated with the ownership of these assets. Earnings from the ownership of these policies are informally used to partially offset the cost of certain employee-related benefits.

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Assets acquired in settlement of loans increased $1,854,000 or 16.1% from $11,490,000 at December 31, 2009 to $13,344,000 at December 31, 2010. Assets acquired in settlement of loans primarily consists of residential real estate consisting of 1-to-4 family homes and development lots. In 2010, Peoples' subsidiary banks acquired real estate in the amount of $9,943,000, sold real estate acquired in settlement of loans for $7,017,000, wrote down $522,000 of real estate acquired in settlement of loans and provided $550,000 to a valuation reserve for these assets. Real estate activity in Peoples' market area is exhibiting the weaknesses that have plagued other markets, resulting in the higher amounts of these distressed assets.

Other assets comprised largely of prepaid expenses, tax benefits, and deferred income taxes increased $356,000 or 4.0% to $9,292,000 at December 31, 2010 from $8,936,000 at December 31, 2009. This increase is attributable to an increase in deferred tax assets of $1,620,000 or 39.4% to $5,734,000 at December 31, 2010 from $4,114,000 at December 31, 2009, and partially offset by a decrease in prepaid expenses of $993,000 or 24.2% to $3,114,000 at December 31, 2010 from $4,107,000 at December 31, 2009. The bulk of the decrease in prepaid expenses is related to prepaid FDIC assessments in the amount of $3,517,000 at December 31, 2009 and $2,491,000 at December 31, 2010.

Total liabilities decreased $13,386,000 or 2.7% from $502,158,000 at December 31, 2009 to $488,772,000 at December 31, 2010. Total deposits decreased $10,242,000 or 2.1% to $474,754,000 at December 31, 2010 from $484,996,000 at December 31, 2009. Competition for deposit accounts is primarily based on the interest rates paid, location convenience and services offered. From time to time Peoples' subsidiary banks solicit certificates of deposit from various sources through brokers. This is done to reduce the need for funding from other short-term sources such as federal funds purchased and borrowings from the Federal Home Loan Bank of Atlanta, as well as to manage the interest-rate risk at Peoples' subsidiary banks. At December 31, 2010 brokered deposits totaled $43,194,000, down from $59,565,000 at December 31, 2009, a decrease of $16,371,000 or 27.5%. Traditional brokered time deposits booked through the Depository Trust Company increased $73,000 or 0.3% to $25,121,000 at December 31, 2010 from $25,048,000 at December 31, 2009. Brokered time deposits within the Certificate of Deposit Account Registry Service ("CDARS") decreased $16,444,000 or 47.6% from $34,517,000 at December 31, 2009 to $18,073,000 at December 31, 2010.

Securities sold under repurchase agreements decreased $2,423,000 or 19.0% from $12,785,000 at December 31, 2009 to $10,362,000 at December 31, 2010. There were no federal funds purchased at December 31, 2010, compared to $399,000 in federal funds purchased as of December 31, 2009. There were no advances from the Federal Home Loan Bank at December 31, 2010 or 2009. Federal Home Loan Bank advances are used to support the liquidity needs of Peoples.

Shareholders' equity decreased $2,146,000 or 3.9% from $54,443,000 at December 31, 2009 to $52,297,000 at December 31, 2010. This decrease is primarily the result of a decrease in the unrealized gain on Peoples' subsidiary banks' available-for-sale investment portfolio, which decreased $1,881,000 or 92.9% from $2,025,000 at December 31, 2009 to $144,000 at December 31, 2010. The changes in the market valuation of the investment portfolio were directly related to the changes in bond market interest rates during the year.

Earnings Performance

2010 Compared to 2009

Overview

Peoples' consolidated operations for the twelve months ended December 31, 2010 resulted in net income of $382,000 compared to a net income of $320,000 for the twelve months ended December 31, 2009. After deducting for dividends on preferred stock and net amortization of preferred stock, the year ended December 31, 2010 resulted in a net loss available to common shareholders of $440,000 or

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$0.06 per basic and diluted share, compared to a net loss available to common shareholders of $224,000 or $0.03 per basic and diluted share for the year ended December 31, 2009.

Interest Income, Interest Expense and Net Interest Income

Net interest income, which constitutes the principal source of Peoples' income, represents the excess of interest income on earning assets over interest expense on interest-bearing liabilities. Peoples' net interest income increased $1,084,000 or 6.1% to $18,979,000 for the year ended December 31, 2010 compared to $17,895,000 for the year ended December 31, 2009.

Peoples' total interest income decreased $1,913,000 or 6.8% to $26,252,000 in 2010 compared to $28,165,000 for 2009. This decrease is largely attributable to a decrease in interest income and fees on loans of $1,849,000 resulting from lower market interest rates and lower average loan balances. There was a $36,000 decrease in interest on taxable securities due to lower market rates, partially offset by higher average balances. There was also a decrease of $57,000 in interest on tax-exempt securities, primarily due to lower average balances. There was a $29,000 increase in interest on federal funds sold, largely due to higher average balances.

Total interest expense decreased $2,997,000 or 29.2% to $7,273,000 in 2010 compared to $10,270,000 for 2009. The amount of interest paid on deposits decreased $2,729,000 resulting from lower market interest rates, partially offset by higher average balances. The interest paid on notes payable to the Federal Home Loan Bank decreased $93,000 and interest expense on federal funds purchased and securities sold under repurchase agreements increased $7,000 during 2010. The net decrease in interest expense among the various types of interest-bearing liabilities is largely attributable to lower market interest rates paid, coupled with lower average balances during 2009 as compared to 2010. Peoples paid $182,000 in interest expense in 2009 on a note from a correspondent bank that was paid in full in April 2009 and canceled in December 2009.

Provision and Allowance for Loan Losses

The provision for loan losses is charged to earnings to bring the allowance for loan losses to a level deemed appropriate by management, and is based upon experience, the volume and type of lending conducted by Peoples' subsidiary banks, the amounts of past due and non-performing loans, general economic conditions, particularly as they relate to Peoples' market area, and other factors related to the collectibility of the loan portfolio. Peoples' provision for loan losses was $6,625,000 in 2010 compared to $4,958,000 for 2009, a $1,667,000 or 33.6% increase. During 2010 Peoples experienced net charge-offs of $6,137,000, or 1.71% of average outstanding loans, compared to net charge-offs of $6,774,000, or 1.74% of average outstanding loans in 2009. At December 31, 2010 the allowance for loan losses was 2.32% as a percentage of outstanding loans compared to 1.99% at December 31, 2009.

At December 31, 2010 Peoples had $15,734,000 in non-accrual loans, no loans past due 90 days or more but still accruing interest, and $13,344,000 in real estate acquired in settlement of loans, compared to $14,881,000 in non-accrual loans, no loans past due 90 days or more but still accruing interest, and $11,490,000 in real estate acquired in settlement of loans at December 31, 2009. Non-performing assets as a percentage of all loans and other real estate owned were 8.21% and 6.85% at December 31, 2010 and 2009, respectively. The substantial balance in non-accruing loans is related to deterioration of the credit-worthiness of certain borrowers and is affected by the current economic recession. At December 31, 2010, 90.8% of Peoples' non-accruing loans were secured by real estate, compared to 96.4% at December 31, 2009. Peoples does not actively pursue sub-prime loans for retention in its loan portfolio, nor does it purchase sub-prime assets for its investment portfolio.

In the cases of non-performing loans, management of Peoples has reviewed the carrying value of any underlying collateral. In those cases where the collateral value may be less than the carrying value

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of the loan Peoples has taken specific write-downs to the loan. Management of Peoples does not believe it has any non-accrual loan that individually could materially impact the allowance for loan losses or long-term future operating results of Peoples.

Peoples records real estate acquired through foreclosure at the lower of cost or estimated market value less estimated selling costs. Estimated market value is based upon the assumption of a sale in the normal course of business and not on a quick liquidation or distressed basis. Estimated market value is established by independent appraisal at the time of foreclosure. Management believes that other real estate owned at December 31, 2010 will not require significant write-downs in future accounting periods, and therefore does not expect it to have a significant effect on Peoples' future operations.

Noninterest Income

Total consolidated noninterest income, including securities transactions, increased $1,175,000 or 31.7% from $3,701,000 in 2009 to $4,876,000 in 2010. The increase in non-interest income in 2010 is primarily due to the sale of $18,560,000 of available-for-sale securities for which Peoples realized $1,056,000 of net gains, compared to the sale of $320,000 of available-for-sale securities for which Peoples realized a $10,000 net gain in 2009. Peoples wrote down $160,000 of available-for-sale securities during the second quarter of 2009, due to the impairment of stock in Silverton Bank, which became essentially worthless.

Service charges on deposit accounts decreased $120,000 or 7.2% to $1,545,000 for 2010 compared to $1,665,000 for 2009. Net non-sufficient funds fees increased $2,000 or 0.2% from $1,361,000 in 2009 to $1,363,000 in 2010. The changes likely resulted from customers paying more attention to economic details as a result of the current recession.

Bank owned life insurance income increased $9,000 or 1.6% in 2010 to $557,000 compared to $548,000 in 2009. Mortgage banking income increased $40,000 or 7.7% from $519,000 in 2009 to $559,000 in 2010. The change in mortgage banking income is largely due to the substantial swings in the local demand for residential mortgage loan originations that occur from time to time.

Other noninterest income, including customer service fees and brokerage services fees, increased $190,000 or 19.6% to $1,159,000 in 2010 when compared to $969,000 in 2009. The 2009 income level was substantially constrained by a write-down of $160,000 due to impairment during the second quarter of 2009 of stock in Silverton Bank, as noted above, which became essentially worthless. Interchange income on Peoples' subsidiary banks' debit cards increased $136,000 or 22.4% to $744,000 in 2010 compared to $608,000 in 2009.

Noninterest Expenses

Total consolidated noninterest expenses increased $510,000 or 3.0% to $17,517,000 in 2010 compared to $17,007,000 in 2009. Salaries and benefits, the largest component of non-interest expense, decreased $281,000 or 3.3% to $8,160,000 in 2010 compared to $8,441,000 in 2009. Peoples imposed a freeze on most salary increases during the fourth quarter of 2008 in response to deteriorating economic conditions, which is still in effect.

Occupancy and furniture and equipment expenses decreased $158,000 or 7.3% to $2,019,000 in 2010 compared to $2,177,000 in 2009. Marketing and advertising expense decreased $3,000 or 1.7% from $177,000 in 2009 to $174,000 in 2010. Communication expenses decreased $13,000 or 5.2% from 249,000 in 2009 to $236,000 in 2010. Printing and supplies decreased $18,000 or 11.8% to $134,000 in 2010 compared to $152,000 in 2009. Director fees decreased $51,000 or 14.0% from $365,000 in 2009 to $314,000 in 2010. These decreases were primarily the result of deliberate efforts by management to limit and reduce expenses in response to deteriorating economic conditions.

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Net cost of operation of other real estate owned increased $978,000 or 72.7% to $2,324,000 in 2010 compared to $1,346,000 in 2009. There was a net loss of $78,000 on the sale of other real estate owned in 2010 compared to a gain of $248,000 in 2009, a decrease of $326,000. Rental income on other real estate owned during 2010 amounted to $81,000, compared to $31,000 in 2009, an increase of $50,000. Expenses included in the net cost of operation of other real estate owned include charge-downs of other real estate owned, taxes paid, legal fees, utilities, maintenance, etc. These expenses increased $702,000 or 43.2% to $2,327,000 in 2010 compared to $1,625,000 in 2009. Bank paid loan costs increased $48,000 or 19.4% from $247,000 in 2009 to $295,000 in 2010.

Legal and professional fees decreased $66,000 or 12.5% to $462,000 in 2010 from $528,000 in 2009. Regulatory assessments increased $74,000 or 5.8% from $1,267,000 in 2009 to $1,341,000 in 2010. Regulatory assessments include fees paid to the FDIC and OCC by Peoples' three subsidiary banks.

Other post-employment benefits decreased $20,000 or 5.6% from $360,000 in 2009 to $340,000 in 2010. All other operating expenses were $1,460,000 in 2010 compared to $1,375,000 in 2009, an increase of $85,000 or 6.2%.

Income Taxes

Refer to Note 11 of Peoples' "Notes to Consolidated Financial Statements" included elsewhere in this proxy statement/prospectus for an analysis of income tax expense.

Liquidity and Capital Resources

Liquidity management involves meeting the cash flow requirements of Peoples. Peoples' liquidity position is primarily dependent upon its need to respond to short-term demand for funds caused by withdrawals from deposit accounts and upon the liquidity of its assets. Peoples' primary liquidity sources include cash and due from banks, federal funds sold and "securities available for sale." In addition, Peoples (through Peoples' subsidiary banks) has the ability, on a short-term basis, to borrow funds from the Federal Reserve System and to purchase federal funds from other financial institutions. At December 31, 2010 Peoples' subsidiary banks in aggregate had unused federal funds lines of credit totaling $22,000,000 with various correspondent banks. The banks are also members of the Federal Home Loan Bank System and have the ability to borrow both short- and long-term funds on a secured basis. At December 31, 2010 Peoples' subsidiary banks in the aggregate had no long-term borrowings, no short-term borrowings, and $54,999,000 in unused borrowing capacity from the Federal Home Loan Bank of Atlanta. The Federal Home Loan Bank requires that investment securities, qualifying mortgage loans, and stock of the Federal Home Loan Bank owned by Peoples' subsidiary banks be pledged to secure any advances from them. The unused borrowing capacity currently available assumes that Peoples' subsidiary banks' $3,241,900 investment in Federal Home Loan Bank stock as well as certain securities and qualifying mortgages would be pledged to secure future borrowings. Management believes that it could obtain additional borrowing capacity from the Federal Home Loan Bank by identifying additional qualifying collateral that could be pledged. Beginning in 2010, Peoples' subsidiary banks also have the ability to borrow funds from the Federal Reserve Bank through the Discount Window. This short-term borrowing relationship is collateralized by qualifying 1-4 family construction real estate, residential and commercial land, and commercial and industrial loans, aggregating approximately $12,220,000 at December 31, 2010. Peoples' subsidiary banks had no Discount Window advances at December 31, 2010.

Peoples has limited liquidity needs outside of those of its subsidiaries. Peoples requires liquidity to pay limited operating expenses and cash dividends on preferred stock. For further discussion of cash dividends on preferred stock see Note 16 of Peoples' "Notes to Consolidated Financial Statements" included elsewhere in this proxy statement/prospectus.

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Peoples plans to meet its future cash needs through the liquidation of temporary investments, maturities or sales of loans and investment securities, generation of deposits, and Federal Home Loan Bank advances. Peoples' management believes its liquidity sources are adequate to meet its operating needs and does not know of any trends that may result in Peoples' liquidity materially increasing or decreasing.

The capital needs of Peoples have been met through the retention of earnings and from the proceeds of prior public stock offerings, as well as the sale of Fixed Rate Cumulative Perpetual Preferred Stock to the U.S. Treasury, pursuant to its Capital Purchase Program.

For publicly held bank holding companies, such as Peoples, capital adequacy is evaluated on a consolidated basis. Peoples' banking subsidiaries must separately meet additional regulatory capital requirements imposed by the OCC. Generally, the Federal Reserve Board expects bank holding companies to operate above minimum capital levels.

The Federal Reserve Board has adopted a risk-based capital rule that requires bank holding companies to have qualifying capital to risk-weighted assets of at least 8%, with at least 4% being "Tier 1" capital. Tier 1 capital consists principally of common shareholders' equity, non-cumulative preferred stock, qualifying perpetual preferred stock, and minority interests in equity accounts of consolidated subsidiaries, less goodwill and certain intangible assets. "Tier 2" (or supplementary) capital consists of general loan loss reserves (subject to certain limitations), certain types of preferred stock and subordinated debt, and certain hybrid capital instruments and other debt securities such as equity commitment notes. A bank holding company's qualifying capital base for purposes of its risk-based capital ratio consists of the sum of its Tier 1 and Tier 2 capital components, provided that the maximum amount of Tier 2 capital that may be treated as qualifying capital is limited to 100% of Tier 1 capital.

The OCC's regulations establish the minimum leverage capital ratio (Tier 1 capital to adjusted total assets) requirement for national banks at 3% in the case of a national bank that has the highest regulatory examination rating and is not contemplating significant growth or expansion. For all other national banks, the minimum leverage capital ratio requirement is 4%. Furthermore, the OCC reserves the right to require higher capital ratios in individual banks on a case-by-case basis when, in its judgment, additional capital is warranted by a deterioration of financial condition or when high levels of risk otherwise exist. Accordingly, the OCC has established individual minimum capital ratios for Peoples' three bank subsidiaries.

Two of Peoples' three bank subsidiaries, have entered into formal agreements with the OCC for the banks to take various actions with respect to the operations of the banks. For further discussion of the higher individual minimum capital ratios see footnote 1 to the table below and Note 19 of Peoples' "Notes to Consolidated Financial Statements" included elsewhere in this proxy statement/prospectus.

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Peoples' and Peoples' subsidiary banks' capital ratios are presented as follows:

	December 31	
	2010	**2009**
Peoples Bancorporation, Inc.		
Risk-based capital ratio	14.12%	13.67%
Tier 1 capital (to risk weighted assets)	12.86%	12.41%
Tier 1 capital (to adjusted total assets)	8.92%	9.03%
Peoples National Bank(1)		
Risk-based capital ratio	13.29%	12.87%
Tier 1 capital (to risk weighted assets)	12.03%	11.61%
Tier 1 capital (to adjusted total assets)	8.91%	8.73%
Bank of Anderson(1)		
Risk-based capital ratio	15.53%	15.16%
Tier 1 capital (to risk weighted assets)	14.28%	13.90%
Tier 1 capital (to adjusted total assets)	8.33%	9.01%
Seneca National Bank(1)		
Risk-based capital ratio	13.71%	12.31%
Tier 1 capital (to risk weighted assets)	12.46%	11.05%
Tier 1 capital (to adjusted total assets)	8.82%	8.08%

(1) The OCC has established individual minimum capital ratios for the three banks pursuant to 12 C.F.R Section 3.10. These minimum requirements exceed the normal regulatory requirements to be well capitalized. Currently each of Peoples' subsidiary banks is required to maintain 12% total risk-based capital, 10% tier 1 risk-based capital, and 8% leverage ratio.

See Note 19 of Peoples' "Notes to Consolidated Financial Statements" included elsewhere in this proxy statement/prospectus for more information about regulatory capital ratios.

Off-Balance Sheet Arrangements and Contractual Obligations

Peoples, through the operations of Peoples' subsidiary banks, makes contractual commitments to extend credit in the ordinary course of its business activities. These commitments are legally binding agreements to lend money to customers of Peoples' subsidiary banks at predetermined interest rates for a specified period of time. At December 31, 2010, unfunded commitments to extend credit were $68,055,000, of which $62,960,000 were at variable rates and $5,095,000 were at fixed rates. These commitments included $2,898,000 of unfunded amounts of construction loans, $48,169,000 of undisbursed amounts of home equity lines of credit, $11,158,000 of unfunded amounts under commercial lines of credit, and $5,830,000 of other commitments to extend credit. Peoples evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by Peoples upon extension of credit, is based on management's credit evaluation of the borrower. Collateral varies but may include accounts receivable, inventory, property, plant and equipment, and commercial and residential real estate.

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At December 31, 2010 Peoples' subsidiary banks had issued commitments to extend credit through various types of arrangements, described further in the table below.

		December 31, 2010 (dollars in thousands)
Unused Commitments		
Lines of credit secured by residential properties	$	48,233
Lines of credit secured by commercial properties		3,589
Other unused commitments		16,233
Total	$	68,055

The commitments generally expire in one year. Past experience indicates that many of these commitments to extend credit will expire not fully used. However, as described under " Liquidity and Capital Resources," Peoples believes that it has adequate sources of liquidity to fund commitments that are drawn upon by the borrowers.

In addition to commitments to extend credit, Peoples' subsidiary banks also issue letters of credit. A letter of credit is an assurance to a third party that it will not suffer a loss if the bank's customer fails to meet his contractual obligation to the third party. At December 31, 2010, $2,412,000 was committed under letters of credit. Past experience indicates that many of these letters of credit will expire unused. However, through its various sources of liquidity, Peoples believes that it will have the necessary resources to meet these obligations should the need arise. Various types of collateral secure most of the letters of credit. Peoples believes that the risk of loss associated with letters of credit is comparable to the risk of loss associated with its loan portfolio. Moreover, the fair value associated with any letters of credit issued by Peoples is immaterial to Peoples.

Neither Peoples nor its subsidiaries are involved in any other off-balance sheet arrangements or transactions that could result in liquidity needs or other commitments or significantly impact earnings. Peoples did not have any obligations under non-cancelable operating lease agreements at December 31, 2010. See Notes 12 and 13 of Peoples' "Notes to Consolidated Financial Statements" included elsewhere in this proxy statement/prospectus for a discussion of financial instruments with off-balance sheet risk and commitments and contingencies.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF PEOPLES AS OF AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2011

The following discussion and analysis should be read in conjunction with the consolidated financial statements and related notes and with the statistical information and financial data appearing in this report as well as Peoples' 2010 Annual Report on Form 10-K. Results of operations for the three-month and nine-month periods ended September 30, 2011 are not necessarily indicative of the results to be attained for any other period.

Critical Accounting Policies

Peoples has adopted various accounting policies that govern the application of accounting principles generally accepted in the United States of America in the preparation of Peoples' financial statements. The significant accounting policies of Peoples are described in Note 1 of Peoples' "Notes to Consolidated Financial Statements" included elsewhere in this proxy statement/prospectus.

Certain accounting policies involve significant judgments and assumptions by management that have a material impact on the carrying value of certain assets and liabilities; management considers such accounting policies to be critical accounting policies. The judgments and assumptions used by management are based on historical experience and other factors, which are believed to be reasonable under the circumstances. Because of the nature of the judgments and assumptions made by management, actual results could differ from these judgments and estimates and such differences could have a material impact on the carrying values of assets and liabilities and the results of operations of Peoples.

Of these significant accounting policies, Peoples considers its policies regarding the allowance for loan losses, which we refer to as the Allowance, to be its most critical accounting policy due to the significant degree of management judgment involved in determining the amount of the Allowance. Peoples has developed policies and procedures for assessing the adequacy of the Allowance, recognizing that this process requires a number of assumptions and estimates with respect to its loan portfolio. Many of Peoples' estimates also rely heavily on real estate appraisals by third parties which are themselves estimates. Peoples' assessments may be impacted in future periods by changes in economic conditions, the impact of regulatory examinations, and the discovery of information with respect to borrowers, which is not known to management at the time of the issuance of the consolidated financial statements. See "Management's Discussion and Analysis of Financial Condition and Results of Operations of Peoples as of and for the Fiscal Year Ended December 31, 2010 Provision and Allowance for Loan Losses, Loan Loss Experience" for a detailed description of Peoples' estimation process and methodology related to the Allowance.

Financial Condition and Results of Operations

Earnings Performance

Overview

Peoples' consolidated operations for the third quarter of 2011 resulted in net income of $618,000 compared to net income of $276,000 for the third quarter of 2010. Peoples' consolidated operations for the nine months ended September 30, 2011 resulted in net income of $1,740,000 compared to a net income of $60,000 for the nine months ended September 30, 2010. After deducting for dividends on preferred stock and net accretion of the discount on preferred stock, the third quarter of 2011 resulted in net income available to common shareholders of $412,000 or $0.06 per diluted share compared to net income of $71,000 or $0.01 per diluted share for the third quarter of 2010. Net income available to common shareholders for the nine months ended September 30, 2011 was $1,122,000 or $0.16 per diluted share compared to a net loss available to common shareholders of $556,000 or $0.08 per diluted share for the nine months ended September 30, 2010. The return on average common equity, which is annualized net income (or loss) available to common shareholders as a percentage of average total common equity, for the nine months and three months ended September 30, 2011 was 5.65% and 5.70% respectively, compared to (1.79)% and 0.68% respectively for the nine months and three months ended September 30, 2010. Return on average assets, which is annualized net income (or loss) divided by average assets, for the nine months and three months ended September 30, 2011 was 0.43% and 0.45% respectively, compared to 0.01% and 0.20%, respectively for the nine months and three months ended September 30, 2010.

Interest Income, Interest Expense and Net Interest Income

The largest component of Peoples' revenue is interest income. Net interest income, which is the difference between the interest earned on assets and the interest paid for the liabilities used to fund those assets, essentially measures the gross profit from lending and investing activities and is the primary contributor to Peoples' earnings. Net interest income before provision for loan losses increased $300,000 or 6.4% to $5,018,000 for the quarter ended September 30, 2011 compared to $4,718,000 for the quarter ended September 30, 2010. For the nine months ended September 30, 2011 net interest income before provision for loan losses increased $487,000 or 3.4% to $14,658,000 compared to $14,171,000 for the nine months ended September 30, 2010. Peoples' net interest margin for the three and nine months ended September 30, 2011 was 4.00% and 3.94% respectively, compared to 3.78% and 3.80% respectively for the three months and nine months ended September 30, 2010.

Peoples' total interest income for the third quarter of 2011 was $6,291,000 compared to $6,483,000 for the third quarter of 2010, a decrease of $192,000 or 3.0%. Total interest income for the nine months ended September 30, 2011 was $18,847,000 compared to $19,811,000 for the nine months ended September 30, 2010, a decrease of $964,000 or 4.9%. Interest and fees on loans, the largest component of total interest income, decreased by $651,000 in the third quarter of 2011 to $4,577,000 compared to $5,228,000 for the third quarter of 2010, a decrease of 12.5%. Interest and fees on loans decreased by $1,978,000 in the nine months ended September 30, 2011 to $14,150,000 compared to $16,128,000 for the nine months ended September 30, 2010, a decrease of 12.3%. The decrease in interest and fees on loans for the three-month and nine-month periods is primarily attributable to lower average loan balances. Interest on taxable securities, the second largest component of total interest income, increased by $152,000 in the third quarter of 2011 to $1,041,000 compared to $889,000 for the third quarter of 2010, an increase of 17.1%. Interest on taxable securities increased by $613,000 for the nine months ended September 30, 2011 to $3,182,000 compared to $2,569,000 for the nine months ended September 30, 2010, an increase of 23.9%. Interest on tax-exempt securities increased by $314,000 or 88.0% to $671,000 in the third quarter of 2011 compared to $357,000 for the third quarter of 2010. Interest on tax-exempt securities increased $414,000 for the nine months ended September 30, 2011 to $1,497,000 compared to $1,083,000 for the nine months ended September 30, 2010, an increase of 38.2%. The increase in interest on taxable and tax-exempt securities for the three-month and nine-month periods is primarily attributable to higher average balances. Interest on federal funds sold was $2,000 in the third quarter of 2011 compared to $9,000 for the third quarter of 2010. Interest on federal funds sold was $18,000 for the first nine months of 2011 compared to $31,000 for the same period of 2010.

Peoples' total interest expense for the third quarter of 2011 was $1,273,000 compared to $1,765,000 for the third quarter of 2010, a decrease of $492,000 or 27.9%. Total interest expense for the nine months ended September 30, 2011 was $4,189,000 compared to $5,640,000 for the nine months ended September 30, 2010, a decrease of $1,451,000 or 25.7%. Interest expense on deposits, the largest component of total interest expense, decreased by $486,000 in the third quarter of 2011 to $1,253,000 compared to $1,739,000 for the third quarter of 2010, a decrease of 27.9%. Interest expense on deposits

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decreased by $1,443,000 for the nine months ended September 30, 2011 to $4,127,000 compared to $5,570,000 for the nine months ended September 30, 2010, a decrease of 25.9%. The decrease in interest expense on deposits for the three-month and nine-month periods is primarily attributable to lower market interest rates. Interest on federal funds purchased and securities sold under repurchase agreements, the second largest component of total interest expense, decreased $6,000 or 24.0% to $19,000 in the third quarter of 2011 compared to $25,000 for the third quarter of 2010. Interest on federal funds purchased and securities sold under repurchase agreements decreased $8,000 or 11.6% to $61,000 for the first nine months of 2011 compared to $69,000 in the first nine months of 2010.

Provision for Loan Losses

The provision for loan losses charged to operations during the three months ended September 30, 2011 was $938,000, compared to $1,515,000 for the three months ended September 30, 2010, a decrease of $577,000 or 38.1%. The provision for loan losses charged to operations for the nine months ended September 30, 2011 decreased $3,367,000 or 55.1% to $2,743,000, compared to $6,110,000 for the nine months ended September 30, 2010. The changes in Peoples' provision for loan losses for the third quarter and first nine months of 2011 are based on management's evaluation of Peoples' overall credit quality and its estimate of loan losses inherent in the loan portfolio. See "Provision and Allowance for Loan Losses, Loan Loss Experience."

Non-interest Income

Non-interest income decreased $41,000 or 3.4% to $1,163,000 for the third quarter of 2011 compared to $1,204,000 for the third quarter of 2010. Non-interest income decreased $435,000 or 11.7% to $3,285,000 for the first nine months of 2011 compared to $3,720,000 for the first nine months of 2010. During the third quarter of 2011, Peoples realized a $328,000 gain on the sale of available-for-sale securities, compared to a net $150,000 gain on the sale of available-for-sale securities during the third quarter of 2010. The net gain on the sale of available-for-sale securities totaled $330,000 for the first nine months of 2011, compared to $964,000 for the same period of 2010, a decrease of $634,000, or 65.8%. Service fees on deposits, typically the largest component of non-interest income, decreased $52,000 or 12.7% to $358,000 for the third quarter of 2011 compared to $410,000 for the third quarter of 2010, and decreased $131,000 or 11.3% to $1,033,000 for the first nine months of 2011 compared to $1,164,000 for the same period of 2010, possibly as a result of customers managing their deposit accounts more carefully.

Mortgage banking fees decreased from $183,000 in the third quarter of 2010 to $113,000 in the third quarter of 2011, a decrease of $70,000 or 38.3%. Mortgage banking fees decreased $8,000 or 2.4% to $324,000 for the first nine months of 2011 from $332,000 for the same period of 2010. The decrease in mortgage banking income is due to decreased levels of residential mortgage loan originations at Peoples' subsidiary banks. Brokerage service income increased from $46,000 in the third quarter of 2010 to $60,000 in the third quarter of 2011, an increase of $14,000 or 30.4%, and it increased $24,000 or 17.8% from $135,000 for the first nine months of 2010 to $159,000 for the first nine months of 2011, due to higher commissions. Income on bank-owned life insurance was unchanged at $140,000 in the third quarter of 2011 and 2010, and increased $1,000 or 0.2% to $416,000 for the first nine months of 2011 from $415,000 for the first nine months of 2010.

There was a loss of $114,000 on trading assets during the third quarter of 2011 compared to a gain of $11,000 during the third quarter of 2010. There was a gain of $164,000 on trading assets during the first nine months of 2011 compared to a loss of $77,000 during the first nine months of 2010.

Other non-interest income increased $12,000 or 4.9% from $246,000 during the third quarter of 2010 to $258,000 for the third quarter of 2011, and increased $69,000 or 9.8% from $705,000 for the

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first nine months of 2010 to $774,000 for the same period of 2011. This change is largely attributable to an increase in interchange income on check cards.

Non-interest Expense

Total non-interest expense increased $416,000 or 9.9% to $4,638,000 for the third quarter of 2011 from $4,222,000 for the third quarter of 2010. Total non-interest expense increased $1,012,000 or 8.2% to $13,356,000 for the first nine months of 2011 from $12,344,000 for the first nine months of 2010. Salaries and benefits, the largest component of non-interest expense, decreased $63,000 or 3.1% to $1,957,000 for the third quarter of 2011 from $2,020,000 for the third quarter of 2010. Salaries and benefits decreased $138,000 or 2.3% to $5,985,000 for the first nine months of 2011 from $6,123,000 for the first nine months of 2010.

Occupancy and furniture and equipment expenses decreased $9,000 or 1.8% to $490,000 in the third quarter of 2011 compared to $499,000 in the third quarter of 2010. Occupancy and furniture and equipment expenses decreased $80,000 or 5.3% to $1,433,000 in the first nine months of 2011 compared to $1,513,000 in the first nine months of 2010. Communication expense decreased $8,000 or 13.3% from $60,000 in the third quarter of 2010 to $52,000 during the third quarter of 2011. Communication expense decreased $26,000 or 14.4% to $155,000 in the first nine months of 2011 compared to $181,000 in the first nine months of 2010. Printing and supplies was unchanged at $35,000 in the third quarter of 2011 and 2010, and decreased $10,000 or 9.4% to $96,000 for the first nine months of 2011 compared to $106,000 for the first nine months of 2010. These expense levels are the result of ongoing efforts by management to limit and reduce expenses in response to weakened economic conditions.

The net cost of operation of other real estate owned increased $481,000 or 105.7% to $936,000 in the third quarter of 2011 compared to $455,000 in the third quarter of 2010. Net cost of operation of other real estate owned increased $1,182,000 or 118.1% to $2,183,000 in the first nine months of 2011 compared to $1,001,000 in the first nine months of 2010. The substantial increase in the net cost of operation of other real estate resulted primarily from write-downs of other real estate, which increased $1,264,000 or 1,019.4% from $124,000 for the first nine months of 2010 to $1,388,000 for the first nine months of 2011.

There was a net gain after write-downs of $63,000 in the first nine months of 2011 on the sale of other real estate owned compared to a net loss after write-downs of $18,000 for the same period in 2010, an increase of $81,000 or 448.0%. Rental income on other real estate owned during the first nine months of 2011 amounted to $95,000 compared to $57,000 during the same period of 2010, an increase of $38,000 or 67.2%. The net cost of operation of other real estate owned includes taxes, legal fees, utilities, maintenance, and various write-downs of other real estate owned, etc. These expenses increased $1,300,000 or 125% to $2,340,000 in the first nine months of 2011 compared to $1,040,000 for the first nine months of 2010. Included in the $2,340,000 expense incurred in the first nine months of 2011 are $1,388,000 in write-downs of other real estate to current market values, $179,000 in legal fees and $773,000 in taxes, insurance, utilities, and maintenance, etc. Bank paid loan costs decreased $56,000 or 58.9% to $39,000 in the third quarter of 2011 compared to $95,000 in the third quarter 2010, and decreased $80,000 or 38.8% to $126,000 in the first nine months of 2011 compared to $206,000 in the first nine months of 2010.

Marketing and advertising expense increased $9,000 or 25.7% to $44,000 in the third quarter of 2011 compared to $35,000 in the third quarter of 2010. Marketing and advertising expense increased $40,000 or 34.8% from $115,000 in the first nine months of 2010 to $155,000 during the first nine months of 2011. This increase is attributable to a higher level of marketing activity at Peoples' subsidiary banks, although marketing activity was still somewhat restricted due to austerity measures. Legal and professional expenses increased $20,000 or 16.8% to $139,000 for the third quarter of 2011

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compared to $119,000 for the third quarter of 2010. Legal and professional expenses increased $20,000 or 5.7% to $370,000 in the first nine months of 2011 compared to $350,000 in the first nine months of 2010. ATM/Debit card expense increased $6,000 or 9.0% to $73,000 for the third quarter of 2011, compared to $67,000 for the same period of 2010. ATM/Debit card expense increased $23,000 or 12.0% from $191,000 in the first nine months of 2010 to $214,000 during the first nine months of 2011.

Regulatory assessments increased $42,000 or 12.5% from $337,000 for the third quarter of 2010 to $379,000 for the third quarter of 2011 and increased $143,000 or 14.4% from $994,000 for the first nine months of 2010 to $1,137,000 for the first nine months of 2011. Regulatory assessments include fees paid to the FDIC and the OCC by Peoples' three bank subsidiaries. FDIC assessments increased $42,000 or 15.4% from $273,000 for the third quarter of 2010 to $315,000 for the third quarter of 2011, and increased $136,000 or 16.8% from $810,000 for the first nine months of 2010 to $946,000 for the first nine months of 2011. The banks' OCC assessment remained unchanged at $64,000 for the third quarters of 2010 and 2011, and increased $7,000 or 3.8% from $184,000 for the first nine months of 2010 to $191,000 for the first nine months of 2011.

All other operating expenses were $365,000 in the third quarter of 2011 compared to $355,000 for the third quarter of 2010, an increase of $10,000 or 2.8%. All other operating expenses were $1,071,000 in the first nine months of 2011 compared to $1,086,000 for the first nine months of 2010, a decrease of $15,000 or 1.4%.

Income Taxes

For the third quarter ended September 30, 2011, Peoples recorded an income tax benefit of $13,000, compared to a tax benefit of $91,000 for the same period a year ago. For the nine months ended September 30, 2011, Peoples recorded an income tax expense of $104,000, compared to a tax benefit of $623,000 for the same period a year ago. The provision for income taxes is an estimate, and management considers several factors in making this estimate, including current pre-tax income levels, the amount of tax-exempt income, and a comparison of prior period estimates to income taxes ultimately determined.

Balance Sheet Review

Loans

Outstanding loans represent the largest component of earning assets at 61.1% of total earning assets. As of September 30, 2011 Peoples held total gross loans outstanding of $304,570,000, a decrease of $36,143,000 or 10.6% from $340,713,000 in total gross loans outstanding at December 31, 2010, and a decrease of $47,327,000 or 13.4% from $351,897,000 in total gross loans outstanding at September 30, 2010. The decrease in outstanding loans comes primarily as the result of lower loan demand from creditworthy borrowers at Peoples' three bank subsidiaries and payoffs, with additional decreases

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resulting from a number of loans that were charged off or converted into other real estate owned through foreclosures or deeds in lieu of foreclosure.

Loan Portfolio Composition		September 30, 2011		December 31, 2010		September 30, 2010
(Dollars in thousands)		(Unaudited)		(Audited)		(Unaudited)
Commercial	$	24,857	$	28,362	$	28,006
Real Estate:						
Residential real estate		100,375		106,759		109,025
Commercial real estate		170,170		192,351		201,770
Commercial construction		2,790		6,152		5,737
Consumer and other		6,378		7,089		7,359
Gross loans	$	304,570	$	340,713	$	351,897

The interest rates charged on loans vary with the degree of risk, maturity, and amount of the loan. Competitive pressures, money market rates, availability of funds, and government regulation also influence interest rates. The average yield on Peoples' loans for the three and nine months ended September 30, 2011 was 5.90% and 5.84% respectively, compared to 5.86% and 5.92% respectively for the three and nine months ended September 30, 2010. The Federal Reserve continues to keep the federal funds target rate near zero for an "extended period" of time. A large portion of Peoples' adjustable-rate loans, which constitute approximately 29.8% of the loan portfolio, reprice following an interest-rate change by the Federal Reserve.

Peoples' loan portfolio consists principally of residential mortgage loans, commercial loans, and consumer loans. The vast majority of these loans is made to borrowers located in South Carolina and is concentrated in Peoples' market areas.

Peoples' real estate loans are primarily construction loans and other loans secured by real estate, both commercial and residential, located within Peoples' trade areas. Peoples does not actively pursue long-term, fixed-rate mortgage loans for retention in its loan portfolio. However, Peoples' subsidiary banks do employ mortgage loan originators who originate such loans that are pre-sold at origination to third parties.

Peoples' commercial lending activity is directed principally towards businesses whose demand for funds falls within each bank's legal lending limits and which are potential deposit customers of Peoples' subsidiary banks. This category of loans includes loans made to individuals, partnerships, and corporate borrowers, which are obtained for a variety of business purposes. Particular emphasis is placed on loans to small and medium-sized businesses. Peoples' commercial loans are spread throughout a variety of industries, with no industry or group of related industries accounting for a significant concentration of the commercial loan portfolio. Commercial loans are made on either a secured or an unsecured basis. When taken, security usually consists of liens on inventories, receivables, equipment, furniture and fixtures. Unsecured commercial loans are generally short-term with emphasis on repayment strengths and low debt-to-worth ratios.

Peoples' direct consumer loans consist primarily of secured installment loans to individuals for personal, family, and household purposes, including automobile loans to individuals and pre-approved lines of credit.

Management believes that the loan portfolio is adequately diversified. Peoples has no foreign loans or loans for highly leveraged transactions. Peoples has few if any agricultural loans.

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Provision and Allowance for Loan Losses, Loan Loss Experience

The purpose of Peoples' allowance for loan losses is to absorb loan losses that occur in the loan portfolios of its bank subsidiaries. Peoples complies with the FASB ASC when determining the adequacy of the allowance for loan losses. Management determines the adequacy of the allowance quarterly and considers a variety of factors in establishing a level of the allowance for loan losses and the related provision, which is charged to expense. Factors considered in determining the adequacy of the allowance for loan losses include: historical loan losses experienced by Peoples, current economic conditions affecting a borrower's ability to repay, the volume of outstanding loans, the trends in delinquent, non-accruing and potential problem loans, and the quality of collateral securing non-performing and problem loans. By considering the above factors, management attempts to determine the amount of reserves necessary to provide for inherent losses in the loan portfolios of its subsidiaries. However, the amount of reserves may change in response to changes in the financial condition of larger borrowers, changes in Peoples' local economies, industry trends, and regulatory requirements.

The allowance for loan losses for each portfolio segment is set at an amount that reflects management's best judgment of the extent to which historical loss levels are more or less accurate indicators of current losses in the loan portfolios of its bank subsidiaries. While it is Peoples' policy to charge off in the current period loans in which a loss is considered probable, there are inherent losses that cannot be quantified precisely or attributed to particular loans or classes of loans. Because the state of the economy, industry trends, and conditions affecting individual borrowers may affect the amount of such losses, management's estimate of the appropriate amount of the allowance is necessarily approximate and imprecise. Peoples and its bank subsidiaries are also subject to regulatory examinations and determinations as to adequacy of the allowance for loan losses, which may take into account such factors as the methodology used to calculate the allowance for loan losses and the size of the allowance for loan losses in comparison to a group of peer companies identified by the regulatory agencies.

In assessing the adequacy of the allowance, management relies predominantly on its ongoing review of the loan portfolio, including historical charge-offs, which is undertaken both to ascertain whether there are probable losses that must be charged off and to assess the risk characteristics of the portfolio in the aggregate. Peoples utilizes its credit administration department, as well as the services of an outside consultant from time to time, to perform quality reviews of its loan portfolio. The reviews consider the judgments and estimates of management and also those of bank regulatory agencies that review the loan portfolio as part of their regular examination process. The OCC, as part of its routine examination process of national banks, including Peoples' subsidiary banks, may require additions to the allowance for loan losses based upon the regulator's credit evaluations differing from those of management. Peoples' management believes it has in place the controls and personnel needed to adequately monitor its loan portfolios and the adequacy of the allowance for loan losses.

At September 30, 2011, the allowance for loan losses was $7,769,000 or 2.55% of gross outstanding loans, compared to $7,919,000 or 2.32% of gross outstanding loans at December 31, 2010 and $8,317,000 or 2.36% of gross outstanding loans at September 30, 2010. During the first nine months of 2011, Peoples experienced net charge-offs of $2,893,000 or 0.89% of average loans, compared to net charge-offs of $5,224,000, or 1.43% of average loans during the first nine months of 2010. Peoples' provision for loan losses was $2,743,000 for the first nine months of 2011 compared to $6,110,000 in the first nine months of 2010.

Management continues to closely monitor the levels of non-performing and potential problem loans and will address the weaknesses in these credits to enhance the amount of ultimate collection or recovery on these assets. When increases in the overall level of non-performing and potential problem loans accelerates from the historical trend, management may adjust the methodology for determining

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the allowance for loan losses, which results in increases to the provision and the allowance for loan losses. This typically decreases net income.

The following table sets forth ratios of net charge-offs and the allowance for loan losses to the items stated:

Asset Quality Ratios:

	September 30, 2011	December 31, 2010	September 30, 2010
Net charge-offs to average loans outstanding during the period	0.89%	1.71%	1.43%
Net charge-offs to total loans outstanding at end of period	0.95%	1.80%	1.48%
Allowance for loan losses to average loans	2.40%	2.20%	2.28%
Allowance for loan losses to total loans at end of period	2.55%	2.32%	2.36%
Net charge-offs to allowance for loan losses at end of period	37.24%	77.50%	62.81%
Net charge-offs to provision for loan losses	105.47%	92.63%	85.50%

The allowance for loan losses is increased by direct charges to operating expense through the provision for loan losses. Losses on loans are charged against the allowance in the period in which management determines it is more likely than not that the full amounts of such loans have become uncollectible. Recoveries of previously charged-off loans are credited back to the allowance.

Management considers the allowance for loan losses adequate to cover inherent losses on the loans outstanding at September 30, 2011. In the opinion of management, there are no material risks or significant loan concentrations, other than loans secured by real estate, in the present portfolio. The allowance for loan losses uses Peoples' procedures and methods which include the following risk factors, though not intended to be an all inclusive list:

- The impact of changes in the international, national, regional and local economic and business conditions and developments that affect the collectibility of the loan portfolio, including those within Peoples' geographic market.

- The cumulative impact of the extended duration of this economic deterioration on Peoples' borrowers, in particular those with real estate related loans.

- Changes in the nature and volume of Peoples' loan portfolio.

- The impact of changes in the experience, ability, and depth of the lending management and other relevant staff.

- Changes in the value of underlying collateral for collateral-dependent loans.

- The impact of changes in the volume and severity of past due loans, the volume of non-accrual loans, and the volume and severity of adversely classified or graded loans.

- Changes in the quality of Peoples' loan review system.

No assurance can be given that Peoples will not sustain loan losses in any particular period which are sizable in relation to the amount reserved or that subsequent evaluation of the loan portfolio, in light of conditions and factors then prevailing, will not require significant changes in the allowance for loan losses or future charges to earnings. As noted above, the allowance for loan losses is also subject to review and approval by various regulatory agencies through their periodic examinations of Peoples' subsidiaries. Such examinations could result in required changes to the allowance for loan losses.

The local and national economy continues to struggle. The housing market, including construction and development projects, has demonstrated stress given reduced cash flows of individual borrowers, limited bank financing and credit availability, and slow property sales. Peoples continues to diligently

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assess its risk, particularly in the real estate market. Peoples' special assets department remains proactive in foreclosure actions and sales. Management believes these actions will decrease Peoples' non-performing assets levels.

Securities

The primary objective of Peoples' securities portfolio is to provide for the liquidity needs of Peoples and to contribute to profitability by providing a stable flow of dependable earnings. Peoples invests primarily in obligations guaranteed as to principal and interest by the United States or its agencies, other taxable securities, and certain obligations of states and municipalities. Peoples had $240,000 in trading assets at September 30, 2011, compared to $76,000 at December 31, 2010 and $52,000 in trading assets at September 30, 2010. Peoples uses its investment portfolio to provide liquidity for unexpected deposit liquidation or loan generation, to meet Peoples' interest-rate sensitivity goals, to secure public deposits, and to generate income. At September 30, 2011 securities totaled $182,427,000, which represented 36.6% of total earning assets. Total securities increased $40,133,000 or 28.2% from $142,294,000 invested as of December 31, 2010 and increased $42,077,000 or 30.0% from $140,350,000 invested as of September 30, 2010. The size of Peoples' investment portfolio is managed and fluctuates from time to time based on the amount of public deposits held, loan demand, liquidity needs, investment strategy, and other pertinent factors.

At September 30, 2011 Peoples' total investments classified as available for sale had an amortized cost of $167,187,000 and a market value of $174,585,000 for a net unrealized gain of $7,398,000. This compares to an amortized cost of $130,434,000 and a market value of $130,650,000 for an unrealized gain of $216,000 on Peoples' investments classified as available for sale at December 31, 2010. At September 30, 2010 Peoples' total investments classified as available for sale had an amortized cost of $124,917,000 and a market value of $128,287,000 for an unrealized gain of $3,370,000. Management believes that maintaining most of its securities in the available-for-sale category provides greater flexibility in the management of the overall investment portfolio. In cases where the market value is less than the amortized cost, Peoples has the ability and intent to hold securities that are in an unrealized loss position until a market price recovery or maturity, and therefore these securities are not considered impaired on an other-than-temporary basis.

Securities with carrying amounts of $32,887,000 at September 30, 2011 were pledged to secure public deposits and for other purposes required or permitted by law.

Assets Acquired in Settlement of Loans

Peoples' assets acquired in settlement of loans, all of which are real estate and are also referred to as other real estate owned were $15,723,000 at September 30, 2011, an increase of $2,379,000 or 17.8% from $13,344,000 at December 31, 2010 and an increase of $1,009,000, or 6.9% from $14,714,000 at September 30, 2010. During the first nine months of 2011, Peoples acquired $7,237,000 in other real estate, sold $3,470,000 in properties and wrote-down $1,388,000 of other real estate owned. During the first nine months of 2010, Peoples acquired $9,943,000 in other real estate, sold $7,017,000 in properties and wrote-down $522,000.

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The following table summarizes the composition of assets acquired in settlement of loans as of the dates noted (tabular amounts in thousands):

	September 30, 2011		December 31, 2010		September 30, 2010	
	Amount	#	Amount	#	Amount	#
Construction and land development	$ 10,393	38	$ 9,964	38	$ 11,919	50
Residential real estate	4,112	13	2,870	13	2,067	5
Commercial real estate	1,218	6	510	3	728	9
Total assets acquired in settlement of loans	$ 15,723	57	$ 13,344	54	$ 14,714	64

Cash Surrender Value of Life Insurance

Peoples' cash surrender value of life insurance was $13,147,000 at September 30, 2011, an increase of $356,000 or 2.8%, from the $12,791,000 held at December 31, 2010 and an increase of $479,000 or 3.8%, from the $12,668,000 held at September 30, 2010. The increase in cash surrender value of life insurance is from normal appreciation associated with the ownership of these assets. Earnings from the ownership of these policies are informally used to partially offset the cost of certain employee-related benefits.

Cash and Cash Equivalents

Peoples' cash and cash equivalents increased $559,000 or 3.2% to $17,803,000 at September 30, 2011 from $17,244,000 at December 31, 2010, and increased $6,734,000 or 60.8% from $11,069,000 at September 30, 2010. From time to time there are swings in the level of cash and cash equivalents, which are due to normal fluctuations in Peoples' subsidiary banks' needs and sources for immediate and short-term liquidity.

Deposits

Peoples' subsidiary banks' primary source of funds for loans and investments is their deposits. Total deposits decreased $2,423,000 or 0.5% to $472,331,000 at September 30, 2011 from $474,754,000 at December 31, 2010 and decreased $1,666,000 or 0.4% from $473,997,000 at September 30, 2010. Competition for deposit accounts is primarily based on the interest rates paid, location convenience and services offered.

For the nine months ended September 30, 2011 interest-bearing deposits averaged $425,335,000 compared to $427,270,000 for the same period of 2010. From time to time Peoples' subsidiary banks solicit certificates of deposit from various sources through brokers. This is done to reduce the need for funding from other short-term sources such as federal funds purchased and short-term borrowings from the Federal Home Loan Bank of Atlanta ("FHLB"), as well as to manage the interest-rate risk at Peoples' subsidiary banks. At September 30, 2011 brokered deposits totaled $36,261,000 compared to $43,194,000 and $42,971,000 in brokered deposits at December 31, 2010 and September 30, 2010, respectively. At September 30, 2011, of the total brokered deposits, $11,140,000 was acquired through CDARS, compared with $18,073,000 at December 31, 2010 and $17,850,000 at September 30, 2010. Peoples considers brokered funds to be an attractive alternative funding source available to use while continuing efforts to maintain and grow its local deposit base.

The average interest rate paid on interest-bearing deposits was 1.29% during the nine months ended September 30, 2011 compared to 1.74% for the same period of 2010 and 1.68% for the twelve months ended December 31, 2010. In pricing deposits, Peoples considers its liquidity needs, the direction and levels of interest rates, and local market conditions. At September 30, 2011

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interest-bearing deposits comprised 89.3% of total deposits compared to 89.9% at December 31, 2010 and 89.7% at September 30, 2010.

Peoples' core deposit base consists largely of consumer time deposits less than $100,000, savings accounts, NOW accounts, money market accounts, and checking accounts. Although such core deposits are becoming increasingly interest-sensitive for both Peoples and the industry as a whole, these core deposits still continue to provide Peoples with a large source of relatively stable funds. Core deposits as a percentage of total deposits averaged approximately 77% at September 30, 2011, 71% at December 31, 2010 and 75% at September 30, 2010. Time deposits of $100,000 or more represented 22.7% of total deposits at September 30, 2011, 25.4% at December 31, 2010 and 25.1% at September 30, 2010. Peoples' larger-denomination time deposits are generally garnered from customers within the local market areas of its subsidiary banks, and therefore may have a greater degree of stability than is typically associated with this source of funds at other financial institutions. The permanent increase of the maximum FDIC insurance amount from $100,000 to $250,000 may also provide stability to time deposits that exceed $100,000 but are less than $250,000.

Borrowings

Peoples' borrowings are typically comprised of federal funds purchased, securities sold under repurchase agreements, and short-term advances from the FHLB. At September 30, 2011 borrowings totaled $10,664,000, compared to $10,362,000 at December 31, 2010 and $12,856,000 at September 30, 2010, all of which were comprised of securities sold under repurchase agreements. Federal funds purchased and short-term FHLB advances are used primarily for the immediate cash needs of Peoples.

Liquidity

Liquidity management involves meeting the cash flow requirements of Peoples. Peoples' liquidity position is primarily dependent upon its need to respond to short-term demand for funds caused by increased loan demand and withdrawals from deposit accounts. Peoples' primary liquidity sources include cash and due from banks, federal funds sold, and securities available for sale. In addition, Peoples (through Peoples' subsidiary banks) has the ability to borrow funds on a short-term basis from the Federal Reserve System and to purchase federal funds from other financial institutions. Peoples' subsidiary banks are also members of the Federal Home Loan Bank System and have the ability to borrow both short-term and long-term funds on a secured basis. At September 30, 2011, The Peoples National Bank had total borrowing capacity from the FHLB equal to $64,590,000, all of which was unused. Bank of Anderson, N.A. had total borrowing capacity from the FHLB equal to $29,280,000, all of which was unused at September 30, 2011. Seneca National Bank had established secured lines of credit with the FHLB at September 30, 2011 of $11,600,000, all of which was unused. At September 30, 2011, Peoples' subsidiary banks also had unused federal funds lines of credit with various correspondent banks totaling $22,000,000.

Peoples has limited liquidity needs outside those of its subsidiaries, and requires funds to pay limited operating expenses and dividends. The parent company's liquidity needs are fulfilled through management fees assessed to each subsidiary bank and from dividends passed up to the parent company from Peoples' subsidiary banks.

During the first nine months of 2011, Peoples made capital expenditures of approximately $225,000 related to equipment and software upgrades. Peoples makes capital expenditures in the normal course of business.

Peoples' management believes its liquidity sources are adequate to meet its operating needs and is not aware of any trends that may result in Peoples' liquidity materially increasing or decreasing.

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Off-Balance Sheet Risk and Derivative Financial Instruments

Peoples, through the operations of Peoples' subsidiary banks, makes contractual commitments to extend credit in the ordinary course of its business activities. These commitments are legally binding agreements to lend money to customers of Peoples' subsidiary banks at predetermined interest rates for a specified period of time. At September 30, 2011, Peoples' subsidiary banks had issued commitments to extend credit of $70,301,000 through various types of arrangements. The commitments generally expire within one year. Past experience indicates that many of these commitments to extend credit will expire not fully used. As described under "Liquidity," Peoples believes that it has adequate sources of liquidity to fund commitments that are drawn upon by the borrowers.

In addition to commitments to extend credit, Peoples' subsidiary banks also issue standby letters of credit, which are assurances to a third party that it will not suffer a loss if the bank's customer fails to meet its contractual obligation to the third party. Standby letters of credit totaled $1,807,000 at September 30, 2011. Past experience indicates that many of these standby letters of credit will expire unused. However, through its various sources of liquidity, Peoples believes that it will have the necessary resources to meet these obligations should the need arise. Various types of collateral secure most of the standby letters of credit. Peoples believes that the risk of loss associated with standby letters of credit is comparable to the risk of loss associated with its loan portfolio.

Neither Peoples nor Peoples' subsidiary banks are involved in any other off-balance sheet contractual relationships or transactions that could result in liquidity needs or other commitments or significantly impact earnings.

Recent Regulatory Developments

On October 15, 2008, Bank of Anderson, N.A. entered into a Formal Agreement with its primary regulator, the OCC. The Agreement was based on the findings of the OCC during their on-site examination of the Bank that commenced on April 28, 2008. On August 16, 2010, The Peoples National Bank entered into a Formal Agreement with the OCC based on the findings of its on-site examination of the bank that commenced on March 15, 2010. The Agreements require the establishment of certain plans and programs within various time periods and seek to enhance Peoples' subsidiary banks' existing practices and procedures in the areas of credit risk management, credit underwriting, liquidity, funds management and strategic and profitability planning. Specifically, under the terms of the Agreements Peoples' subsidiary banks are required to (i) appoint Compliance Committees that are responsible for monitoring and coordinating the banks' adherence to the provisions of the Agreements, (ii) develop, implement, and thereafter ensure the banks' adherence to a written program to improve the banks' loan portfolio management, (iii) adopt, implement, and thereafter ensure adherence to written policies and procedures for maintaining an adequate Allowance for Loan and Lease Loss in accordance with generally accepted accounting principles, (iv) take immediate and continuing action to protect the banks' interests in assets criticized by the OCC or by internal or external loan review professionals, (v) develop, implement, and thereafter adhere to written programs to improve construction loan underwriting standards, (vi) adopt, implement, and thereafter ensure adherence to written asset diversification programs consistent with OCC Banking Circular 255, (vii) adopt, implement, and thereafter ensure adherence to written strategic plans covering a period of at least three years, (viii) develop, implement, and thereafter ensure adherence to a three-year capital plan, (ix) develop, implement, and thereafter ensure adherence to written profit plans to improve and sustain the earnings of the banks, (x) ensure levels of liquidity are sufficient to sustain the banks' current operations and to withstand any anticipated or extraordinary demand against their funding bases, and (xi) obtain prior written determination of no supervisory objection from the OCC before accepting, renewing, or rolling over brokered deposits. Peoples' subsidiary banks are required to submit reports quarterly on the progress made to comply with each article within the Agreements.

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Peoples' subsidiary banks believe they have responded appropriately to substantially all of the requirements of the Agreements, including completing plans and programs within the time frames required by the Agreements. The current results of those actions are reflected in the financial data and Management's Discussion and Analysis in this report. If Peoples' subsidiary banks do not satisfy and maintain adherence with each of the requirements set forth in the Agreements, the banks will be deemed to be in non-compliance. Failure to comply with the Agreements could result in the OCC's taking additional enforcement actions against Peoples' subsidiary banks. Peoples' subsidiary banks' ability to meet some of the goals set forth in the Agreements depends in part upon their financial performance, the stabilization of local real estate markets, and improvement in economic conditions in general.

Peoples is a registered bank holding company that owns and controls The Peoples National Bank, Bank of Anderson, N.A., and Seneca National Bank. Accordingly, Peoples is expected to fully utilize its financial and managerial resources to serve as a source of strength to Peoples' subsidiary banks and to take steps necessary to ensure the banks comply with any supervisory actions taken by the banks' primary federal regulator, the OCC.

Capital Adequacy and Resources

The capital needs of Peoples have been met through the retention of earnings and from the proceeds of prior stock offerings.

Peoples and Peoples' subsidiary banks are required to maintain certain capital ratios by federal banking regulators. The following table sets forth the capital ratios for Peoples and Peoples' subsidiary banks as of September 30, 2011:

Capital Ratios

(Dollars in thousands)

	Actual		Well Capitalized Requirement		Adequately Capitalized Requirement	
	Amount	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
Peoples:						
Total Risk-based Capital	$ 53,168	15.43%	N/A	N/A	$ 27,566	8.00%
Tier 1 Risk-based Capital	48,830	14.17	N/A	N/A	13,784	4.00
Leverage Ratio	48,830	9.01	N/A	N/A	21,678	4.00
The Peoples National Bank:(1)						
Total Risk-based Capital	$ 32,199	14.98%	$ 21,523	10.00%	$ 17,219	8.00%
Tier 1 Risk-based Capital	29,473	13.69	12,917	6.00	8,612	4.00
Leverage Ratio	29,473	9.23	15,966	5.00	12,773	4.00
Bank of Anderson, N. A.:(1)						
Total Risk-based Capital	$ 13,043	16.41%	$ 7,948	10.00%	$ 6,359	8.00%
Tier 1 Risk-based Capital	12,045	15.16	4,767	6.00	3,178	4.00
Leverage Ratio	12,045	8.40	7,170	5.00	5,736	4.00
Seneca National Bank:(1)						
Total Risk-based Capital	$ 7,222	14.75%	$ 4,896	10.00%	$ 3,917	8.00%
Tier 1 Risk-based Capital	6,608	13.50	2,937	6.00	1,958	4.00
Leverage Ratio	6,608	8.72	3,789	5.00	3,031	4.00

(1) The OCC has established individual minimum capital ratios for Peoples' subsidiary banks pursuant to 12 C.F.R. Section 3.10. These minimum requirements exceed the normal regulatory requirements to be well capitalized. Currently each of Peoples' subsidiary banks is required to maintain 12% total risk-based capital, 10% tier 1 risk-based capital, and 8% leverage ratio. Each of Peoples' subsidiary banks exceeded these required capital levels at September 30, 2011.

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LEGAL MATTERS

The validity of the SCBT common stock to be issued in connection with the merger will be passed upon for SCBT by Wachtell, Lipton, Rosen & Katz (New York, New York). Certain U.S. federal income tax consequences relating to the merger will also be passed upon for SCBT by Wachtell, Lipton, Rosen & Katz (New York, New York) and for Peoples by Haynsworth Sinkler Boyd, P.A. (Columbia, South Carolina).

EXPERTS

SCBT

The consolidated financial statements of SCBT Financial Corporation and subsidiary as of December 31, 2010 and 2009, and for each of the years in the three-year period ended December 31, 2010, and management's assessment of the effectiveness of internal control over financial reporting, have been incorporated by reference herein in reliance upon the reports of Dixon Hughes Goodman LLP, and upon the authority of said firm as experts in auditing and accounting. The audit report on the consolidated financial statements refers to a change in the methods of accounting for other-than-temporary impairment of debt securities and for business combinations as a result of adopting new accounting standards.

Peoples

The consolidated financial statements included in this proxy statement/prospectus, which were also provided in the Annual Report on Form 10-K of Peoples for the year ended December 31, 2010, have been so included in reliance on the report of Elliott Davis LLC independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

OTHER MATTERS

No matters other than the matters described in this proxy statement/prospectus are anticipated to be presented for action at the special meeting or at any adjournment or postponement of the special meeting.

DEADLINES FOR SUBMITTING SHAREHOLDER PROPOSALS

SCBT

Under the SEC rules, holders of SCBT common shares who wish to make a proposal to be included in SCBT's proxy statement and proxy for SCBT's 2012 annual meeting of shareholders must have caused such proposal to have been received by SCBT at its executive offices not later than November 15, 2011 if SCBT's 2012 annual meeting is held within 30 days of April 26, 2012. Such proposals will be subject to the requirements of the proxy rules adopted under the Exchange Act, SCBT's articles of incorporation and bylaws and South Carolina law.

In order for shareholder proposals to be considered for presentation at SCBT's 2012 annual meeting, but not for inclusion in SCBT's proxy statement and form of proxy for that meeting, holders of SCBT common shares must deliver notice of such shareholder proposal to the secretary of SCBT no less than 45 days before such meeting.

Peoples

Peoples expects to hold a 2012 annual meeting of shareholders only if the merger is not completed. Under the SEC rules, holders of Peoples common shares who wish to make a proposal to be included in Peoples' proxy statement and proxy for Peoples' 2012 annual meeting of shareholders (if

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the annual meeting is held) must have caused such proposal to have been received by Peoples at its principal office not later than December 23, 2011 if Peoples' 2012 annual meeting is held within 30 days of May 25, 2012. If Peoples' 2012 annual meeting is held more than 30 days from May 25, 2012, such proposal must be received a reasonable time in advance of Peoples' mailing of its proxy statement for the 2012 annual meeting. Such proposals will be subject to the requirements of the proxy rules adopted under the Exchange Act, Peoples' articles of incorporation and bylaws and South Carolina law.

To be considered for presentation at Peoples' 2012 annual meeting, but not for inclusion in Peoples' proxy statement and proxy for that meeting, shareholder proposals should be received by Peoples' secretary no later than March 8, 2012. If Peoples does not receive written notice of a shareholder proposal prior to March 8, 2012, the persons named as proxies in the proxy materials relating to Peoples' 2012 annual meeting will use their discretion in voting the proxies when the proposal is raised at the annual meeting.

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WHERE YOU CAN FIND MORE INFORMATION

SCBT has filed with the SEC a registration statement under the Securities Act that registers the distribution to Peoples shareholders of the shares of SCBT common stock to be issued in connection with the merger. This proxy statement/prospectus is a part of that registration statement and constitutes the prospectus of SCBT in addition to being a proxy statement for Peoples' shareholders. The registration statement, including this proxy statement/prospectus and the attached exhibits and schedules, contains additional relevant information about SCBT and SCBT common stock.

SCBT (File No. 001-12669) and Peoples (File No. 000-20616) also file reports, proxy statements and other information with the SEC under the Securities Exchange Act of 1934. You may read and copy this information at the Public Reference Room of the SEC at 100 F Street, NE, Room 1580, Washington, D.C. 20549. You may obtain information on the operation of the SEC's Public Reference Room by calling the SEC at 1-800-SEC-0330. You may also obtain copies of this information by mail from the Public Reference Section of the SEC, 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates, or from commercial document retrieval services.

The SEC also maintains an Internet website that contains reports, proxy statements and other information about issuers, like SCBT and Peoples, who file electronically with the SEC. The address of the site is http://www.sec.gov. The reports and other information filed by SCBT with the SEC are also available at SCBT's website at http://www.scbtonline.com. The reports and other information filed by Peoples with the SEC are available at Peoples' website at http://www.peoplesbc.com. The web addresses of the SEC, SCBT and Peoples are included as inactive textual references only. Except as specifically incorporated by reference into this proxy statement/prospectus, information on those web sites is not part of this proxy statement/prospectus.

The SEC allows SCBT to incorporate by reference information in this proxy statement/prospectus. This means that SCBT can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be a part of this proxy statement/prospectus, except for any information that is superseded by information that is included directly in this proxy statement/prospectus.

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This proxy statement/prospectus incorporates by reference the documents listed below that SCBT previously filed with the SEC. They contain important information about SCBT and its financial condition.

SCBT SEC Filings (SEC File No. 001-12669; CIK No. 0000764038)	**Period or Date Filed**
Annual Report on Form 10-K	Year ended December 31, 2010
Proxy Statement on Schedule 14A	Filed on March 22, 2011
Quarterly Reports on Form 10-Q	Quarter ended March 31, 2011; Quarter ended June 30, 2011; Quarter ended September 30, 2011
Current Reports on Form 8-K	Filed on January 28, 2011; February 2, 2011; February 18, 2011 (two filings); February 25, 2011; March 8, 2011; April 29, 2011; May 2, 2011; May 24, 2011; July 8, 2011; July 29, 2011; August 1, 2011; August 2, 2011 (three filings); September 20, 2011; October 28, 2011; November 2, 2011; November 10, 2011; December 20, 2011; December 23, 2011; January 27, 2012; February 1, 2012 (other than those portions of the documents not deemed to be filed)
The description of SCBT common stock set forth in a registration statement filed pursuant to Section 12 of the Exchange Act and any amendment or report filed for the purpose of updating those descriptions	Registration Statement on Form 8-A filed on March 8, 2004, as amended by Current Reports on Form 8-K filed on December 23, 2008; December 31, 2008; and January 16, 2009

In addition, SCBT also incorporates by reference additional documents that it files with the SEC under Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act between the date of this proxy statement/prospectus and the date of the Peoples special meeting. These documents include periodic reports, such as Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as well as proxy statements.

SCBT has supplied all information contained or incorporated by reference in this proxy statement/prospectus relating to SCBT, as well as all pro forma financial information, and Peoples has supplied all information relating to Peoples.

Documents incorporated by reference are available from SCBT without charge, excluding any exhibits to those documents unless the exhibit is specifically incorporated by reference as an exhibit in this proxy statement/prospectus. You can obtain documents incorporated by reference in this proxy statement/prospectus by requesting them in writing or by telephone from the company at the following address and phone number:

SCBT Financial Corporation
520 Gervais Street
Columbia, South Carolina 29201
Attention: Secretary
Telephone: (800) 277-2175

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Peoples shareholders requesting documents must do so by [ ] to receive them before the special meeting. You will not be charged for any of these documents that you request. If you request any incorporated documents from SCBT, SCBT will mail them to you by first class mail, or another equally prompt means, within one business day after receiving your request.

If you have any questions concerning the merger or this proxy statement/prospectus, would like additional copies of this proxy statement/prospectus or need help voting your shares of Peoples common stock, please contact Robert E. Dye, Jr., Corporate Secretary:

1818 East Main Street
Easley, South Carolina 29640
(864) 859-2265

SCBT has not authorized anyone to give any information or make any representation about the merger or the company that is different from, or in addition to, that contained in this proxy statement/prospectus or in any of the materials that have been incorporated in this proxy statement/prospectus. Therefore, if anyone does give you information of this sort, you should not rely on it. If you are in a jurisdiction where offers to exchange or sell, or solicitations of offers to exchange or purchase, the securities offered by this proxy statement/prospectus or the solicitation of proxies is unlawful, or if you are a person to whom it is unlawful to direct these types of activities, then the offer presented in this proxy statement/prospectus does not extend to you. The information contained in this proxy statement/prospectus speaks only as of the date of this proxy statement/prospectus unless the information specifically indicates that another date applies.

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INDEX TO PEOPLES FINANCIAL STATEMENTS

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders
Peoples Bancorporation, Inc. and Subsidiaries
Easley, South Carolina

We have audited the accompanying consolidated balance sheets of Peoples Bancorporation, Inc. and Subsidiaries (the "Company") as of December 31, 2010 and 2009, and the related consolidated statements of income (loss), shareholders' equity and comprehensive income, and cash flows for each of the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Peoples Bancorporation, Inc. and Subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the years then ended in conformity with U.S. generally accepted accounting principles.

/s/ Elliott Davis, LLC

Greenville, South Carolina
March 30, 2011

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PEOPLES BANCORPORATION, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Amounts in thousands except share information)

	December 31, 2010	December 31, 2009
ASSETS		
CASH AND DUE FROM BANKS	$ 6,612	$ 11,862
INTEREST BEARING DEPOSITS IN OTHER BANKS	1	420
FEDERAL FUNDS SOLD	10,631	14,592
	17,244	26,874
SECURITIES		
Trading assets	76	128
Available for sale	130,650	103,227
Held to maturity (fair value of $7,375 (2010) and $8,621 (2009))	7,249	8,402
Other investments, at cost	4,319	4,456
LOANS, net of allowance for loan losses of $7,919 (2010) and $7,431 (2009)	332,794	366,143
PREMISES AND EQUIPMENT, net of accumulated depreciation	11,023	12,270
ACCRUED INTEREST RECEIVABLE	2,288	2,371
ASSETS ACQUIRED IN SETTLEMENT OF LOANS	13,344	11,490
CASH SURRENDER VALUE OF LIFE INSURANCE	12,791	12,304
OTHER ASSETS	9,292	8,936
Total assets	$ 541,070	$ 556,601
LIABILITIES AND SHAREHOLDERS' EQUITY		
DEPOSITS		
Noninterest-bearing	$ 48,151	$ 55,367
Interest-bearing	426,603	429,629
Total deposits	474,754	484,996
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS	10,362	12,785
FEDERAL FUNDS PURCHASED		399
ACCRUED INTEREST PAYABLE	1,639	2,049
OTHER LIABILITIES	2,017	1,929
Total liabilities	488,772	502,158
COMMITMENTS AND CONTINGENCIES Notes 12 and 13		
SHAREHOLDERS' EQUITY		
Preferred stock 15,000,000 shares authorized		
Preferred stock, Series T $1,000 per share liquidation preference; issued and outstanding 12,660 (2010 and 2009)	12,139	11,991
Preferred stock, Series W $1,000 per share liquidation preference; issued and outstanding 633 (2010 and 2009)	682	697
Common stock 15,000,000 shares authorized; $1.11 par value per share; 7,003,063 (2010 and 2009) shares issued and outstanding	7,774	7,774
Additional paid-in capital	41,701	41,658
Retained earnings (deficit)	(10,142)	(9,702)
Accumulated other comprehensive income	144	2,025
Total shareholders' equity	52,298	54,443
Total liabilities and shareholders' equity	$ 541,070	$ 556,601

The accompanying notes are an integral part of these consolidated financial statements

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PEOPLES BANCORPORATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (LOSS)

(Amounts in thousands except per share information)

	For the years ended December 31,	
	2010	**2009**
INTEREST INCOME		
Interest and fees on loans	$ 21,341	$ 23,190
Interest on securities		
Taxable	3,432	3,468
Tax-exempt	1,441	1,498
Interest on federal funds sold	38	9
Total interest income	26,252	28,165
INTEREST EXPENSE		
Interest on deposits	7,178	9,907
Interest on federal funds purchased and securities sold under repurchase agreements	94	87
Interest on advances from Federal Home Loan Bank	1	94
Interest on note payable other		182
Total interest expense	7,273	10,270
Net interest income	18,979	17,895
PROVISION FOR LOAN LOSSES	6,625	4,958
Net interest income after provision for loan losses	12,354	12,937
NONINTEREST INCOME		
Service charges on deposit accounts	1,545	1,665
Customer service fees	101	111
Mortgage banking	559	519
Brokerage services	187	192
Bank owned life insurance	557	548
Gain on sale/call of securities available for sale	1,056	10
Impairment write-down on securities		(160)
Other noninterest income	871	816
Total noninterest income	4,876	3,701
NONINTEREST EXPENSES		
Salaries and benefits	8,160	8,441
Occupancy	994	986
Equipment	1,025	1,191
Marketing and advertising	174	177
Communications	236	249
Printing and supplies	134	152
Bank paid loan costs	295	247
Net cost of operation of other real estate	2,324	1,346
Directors fees	314	365
Other post employment benefits	340	360
ATM and interchange expense	257	323
Legal and professional fees	462	528
Regulatory assessments	1,341	1,267
Other operating expenses	1,460	1,375
Total noninterest expenses	17,516	17,007

Loss before income taxes	(286)	(369)
INCOME TAX BENEFIT	(669)	(689)
Net income	383	320
Deductions to determine amounts available to common shareholders:		
Dividends declared or accumulated on preferred stock	690	471
Net accretion of preferred stock	133	73
Net loss available to common shareholders	$ (440)	$ (224)
BASIC NET LOSS PER COMMON SHARE	$ (0.06)	$ (0.03)
DILUTED NET LOSS PER COMMON SHARE	$ (0.06)	$ (0.03)

The accompanying notes are an integral part of these consolidated financial statements

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PEOPLES BANCORPORATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME

For the years ended December 31, 2010 and 2009

(Amounts in thousands except share information)

	Preferred Shares		Preferred Stock		Common Stock		Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income	Total Shareholders' Equity
	Series T	Series W	Series T	Series W	Shares	Amount				
Balance, December 31, 2008			$	$	7,070,139	$ 7,848	$ 41,752	$ (9,564)	$ 1,476	$ 41,512
Net income								320		320
Other comprehensive Income, (loss) net of tax:										
Unrealized holding gains on securities available for sale, net income tax of $283									555	555
Reclassification adjustment for gains included in net income, net of income taxes of $4									(6)	(6)
Comprehensive income										869
Issuance of preferred stock	12,660	633	11,910	705						12,615
Cash dividends on preferred stock								(385)		(385)
Proceeds from stock options exercised					500	1	1			2
Common shares surrendered by dissenting shareholders					(67,576)	(75)	(168)			(243)
Accretion (amortization) of preferred stock			81	(8)				(73)		
Stock-based compensation							73			73
Balance, December 31, 2009	12,660	633	11,991	697	7,003,063	7,774	41,658	(9,702)	2,025	54,443
Net income								383		383
Other comprehensive Income, (loss) net of tax:										
Unrealized holding losses on securities available for sale, net income tax of ($969)									(2,578)	(2,578)
Reclassification adjustment for gains included in net income, net of income taxes of $359									697	697
Comprehensive loss										(1,498)
Cash dividends on preferred stock								(690)		(690)
Accretion (amortization) of preferred stock			148	(15)				(133)		
Stock-based compensation							43			43
Balance, December 31, 2010	12,660	633	$ 12,139	$ 682	7,003,063	$ 7,774	$ 41,701	$ (10,142)	$ 144	$ 52,298

The accompanying notes are an integral part of these consolidated financial statements

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PEOPLES BANCORPORATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)

	For the years ended December 31,	
	2010	**2009**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 383	$ 320
Adjustments to reconcile net income to net cash provided by operating activities		
Gain on sale of premises and equipment		(5)
Gain on sale of securities available for sale	(1,056)	(10)
(Gain) loss on sale of assets acquired in settlement of loans	78	(248)
Net change in trading assets	52	(81)
Impairment write-down on securities		160
Provision for loan losses	6,625	4,958
Benefit from deferred income taxes	(1,885)	(603)
Depreciation	920	1,059
Write down of fixed assets	(127)	
Amortization and accretion (net) of premiums and discounts on securities	434	50
Stock-based compensation	43	73
Decrease in accrued interest receivable	83	314
(Increase) decrease in other assets	2,420	(1,180)
Decrease in accrued interest payable	(410)	(587)
Increase in other liabilities	88	380
Net cash provided by operating activities	7,648	4,600
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of securities available for sale	(75,887)	(29,036)
Purchases of other investments	(250)	(910)
Proceeds from principal pay downs on securities available for sale	22,051	16,115
Proceeds from the maturities and calls of securities available for sale	3,165	6,000
Proceeds from the sale of securities available for sale	18,560	320
Proceeds from maturity of securities held to maturity	4,000	4,252
Investment in bank owned life insurance	(487)	(489)
Net decrease in loans	17,532	2,857
Proceeds from sale of assets acquired in settlement of loans	7,017	9,344
Valuation reserve of assets acquired in settlement of loans	550	
Write down of assets acquired in settlement of loans	522	130
Proceeds from the sale of premises and equipment		5
Purchase of premises and equipment, net	(297)	(129)
Net cash provided by (used for) investing activities	(3,524)	8,459
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in deposits	(10,242)	39,627
Net decrease in federal funds purchased	(399)	(1,028)
Net decrease in securities sold under repurchase agreements	(2,423)	(9,396)
Net decrease in advances from Federal Home Loan Bank		(45,201)
Proceeds from the exercise of stock options		2
Proceeds from the issuance of preferred stock and warrants		12,615
Common shares surrendered by dissenting shareholders		(243)
Cash dividends paid	(690)	(385)
Net cash used for financing activities	(13,754)	(4,009)
Net increase (decrease) in cash and cash equivalents	(9,630)	9,050
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		

	26,874	17,824
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 17,244	$ 26,874
CASH PAID FOR		
Interest	$ 7,682	$ 10,905
Income taxes	$ 324	$ 29
NON-CASH TRANSACTIONS		
Change in unrealized gain (loss) on available for sale securities	$ (2,851)	$ 832
Properties transferred to other real estate	$ 9,943	$ 15,536

The accompanying notes are an integral part of these consolidated financial statements

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PEOPLES BANCORPORATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES

Principles of consolidation and nature of operations

The consolidated financial statements include the accounts of Peoples Bancorporation, Inc. (the "Company") and its wholly owned subsidiaries, The Peoples National Bank, Bank of Anderson, N.A., and Seneca National Bank (collectively referred to as the "Banks"). All significant intercompany balances and transactions have been eliminated. The Banks operate under individual national bank charters and provide full banking services to customers. The Banks are subject to regulation by the Office of the Comptroller of the Currency ("OCC"). The Company is subject to regulation by the Federal Reserve Board ("FRB").

Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of interest and noninterest income and expenses during the reporting period. Actual results could differ from those estimates.

Segments

The Company, through its subsidiaries, provides a broad range of financial services to individuals and companies. These services include demand, time and savings deposits; lending and ATM processing and are substantially the same across subsidiaries. While the Company's decision-makers monitor the revenue streams of the various financial products and services by product line and by subsidiary, the operations and the allocation of resources are managed, and financial performance is evaluated, on an organization-wide basis. Accordingly, the Company's banking operation is considered by management to be one reportable operating segment.

Securities

Debt securities are classified upon purchase as available for sale, held to maturity, or trading. Such assets classified as available for sale are carried at fair value. Unrealized holding gains or losses are reported as a component of shareholders' equity (accumulated other comprehensive income (loss)) net of deferred income taxes. Securities classified as held to maturity are carried at cost, adjusted for the amortization of premiums and the accretion of discounts into interest income using a methodology which approximates a level yield of interest over the estimated remaining period until maturity. To qualify as held to maturity, the Company must have the ability and intent to hold the securities to maturity. Trading securities are carried at market value. Unrealized holding gains or losses are recognized in income. Gains or losses on dispositions of securities are based on the difference between the net proceeds and the adjusted carrying amount of the securities sold, using the specific identification method.

Loans and interest on loans

Loans are stated at the principal balance outstanding reduced by the allowance for loan losses. Interest income is recognized over the term of the loan based on the contractual interest rate and the principal balance outstanding.

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PEOPLES BANCORPORATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES (Continued)

Loans generally are placed on non-accrual status when principal or interest becomes ninety days past due or when payment in full is not anticipated. Interest payments received after a loan is placed on non-accrual status are applied as principal reductions until such time the loan is returned to accrual status. Generally, a loan is returned to accrual status when the loan is brought current and the collectibility of principal and interest is no longer in doubt.

Allowance for loan losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the anticipated collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of specific, general and unallocated components. The specific component relates to loans that are classified as doubtful, substandard or special mention. For such loans that are also classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers non-classified loans and is based on historical loss experience adjusted for qualitative factors. An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan by loan basis for commercial and construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Company does not separately identify individual consumer and residential loans for impairment disclosures, unless such loans are the subject of a restructuring agreement.

PEOPLES BANCORPORATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES (Continued)

Premises and equipment

Premises and equipment are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Additions to premises and equipment and major replacements or betterments are added at cost. Maintenance, repairs, and minor replacements are charged to expense when incurred. When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in income.

Assets acquired in settlement of loans

Assets acquired in settlement of loans represents properties acquired through foreclosure and is carried at the lower of cost or fair value, adjusted for estimated selling costs. Fair values of real estate owned are reviewed regularly and writedowns are recorded when it is determined that the carrying value of real estate exceeds the fair value less estimated costs to sell. Costs relating to the development and improvement of such property are capitalized, whereas those costs relating to holding the property are charged to expense.

Advertising and public relations expense

Advertising, promotional and other business development costs are generally expensed as incurred. External costs incurred in producing media advertising are expensed the first time the advertising takes place. External costs relating to direct mailing costs are expensed in the period in which the direct mailings are sent.

Income taxes

The provision for income taxes includes deferred taxes on temporary differences between the recognition of certain income and expense items for tax and financial statement purposes. Income taxes are computed on the liability method as described in Accounting Standards Codification ("ASC") Topic 740.

Statements of cash flows

For the purposes of reporting cash flows, the Company considers cash and cash equivalents to be those amounts included in the balance sheet captions "Cash and Due From Banks," "Interest-bearing Deposits in Other Banks" and "Federal Funds Sold." Cash and cash equivalents have an original maturity of three months or less.

Risks and uncertainties

In the normal course of its business the Company encounters two significant types of risk: economic and regulatory. There are three main components of economic risk: interest rate risk, credit risk, and market risk. The Company is subject to interest rate risk to the degree that its interest-bearing liabilities mature or reprice at different speeds, or on different bases, than its interest-earning assets. Credit risk is the risk of default on the Company's loan portfolio that results from borrowers' inability or unwillingness to make contractually required payments. Market risk reflects changes in the value of

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PEOPLES BANCORPORATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES (Continued)

collateral underlying loans receivable, the valuation of real estate held by the Company, and the valuation of loans held for sale and mortgage-backed securities available for sale.

The Company is subject to the regulations of various government agencies. These regulations can and do change significantly from period to period. The Company also undergoes periodic examinations by the regulatory agencies, which may subject it to further changes with respect to asset valuations, amounts of required loss allowances, and operating restrictions, resulting from the regulators' judgments based on information available to them at the time of their examination.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year's presentation. These reclassifications had no effect on previously reported net income or shareholders' equity.

Stock option compensation plans

The Company has an employee stock option compensation plan through which the Board of Directors may grant stock options to officers and employees to purchase common stock of the Company at prices not less than 100 percent of the fair value of the stock on the date of grant. The Company also has another employee stock option plan under which options may no longer be granted, but under which exercisable options remain outstanding. The outstanding options under both plans become exercisable in various increments beginning on the date of grant and expiring ten years from the date of grant. The Company also has a non-employee directors' stock option plan through which non-employee directors of the Company are granted options to purchase 500 shares of common stock for each year served on the board to a maximum of 5,000 options per director. The option price shall not be less than 100 percent of the fair value of the stock on the grant date. The outstanding options become exercisable on the grant date and expire at the earlier of the end of the director's term or ten years from the grant date. The Company also has another non-employee directors' stock option plan under which options may no longer be granted, but under which exercisable options remain outstanding. The Company follows the requirements of ASC Topic 718 to account for its stock option plans. In accordance with the provisions of this topic, the Company recorded approximately $43,000 and $73,000 of compensation expense in 2010 and 2009, respectively.

Recently issued accounting standards

The following is a summary of recent authoritative pronouncements that affect accounting, reporting, and disclosure of financial information by the Company:

In January 2010, fair value guidance was amended to require disclosures for significant amounts transferred in and out of Levels 1 and 2 of the fair-value hierarchy and the reasons for such transfers and to require that gross amounts of purchases, sales, issuances and settlements be provided in the Level 3 reconciliation. Disaggregation of classes of assets and liabilities is also required. The new disclosures are effective for the Company for the current year and have been reflected in Note 20, Fair Value of Financial Instruments, as applicable.

In July 2010, the Receivables topic of the ASC was amended to require expanded disclosures related to a company's allowance for credit losses and the credit quality of its financing receivables. The amendments will require the allowance disclosures to be provided on a disaggregated basis. The

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PEOPLES BANCORPORATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES (Continued)

Company is required to begin to comply with the disclosures in its financial statements for the year ended December 31, 2010. Disclosures about Troubled Debt Restructurings (TDRs) required by the Update have been deferred by FASB in an update issued in early 2011. The TDR disclosures are anticipated to be effective for periods ending after June 15, 2011.

On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), which significantly changes the regulation of financial institutions and the financial services industry. The Dodd-Frank Act includes several provisions that will affect how community banks, thrifts, and small bank and thrift holding companies will be regulated in the future. Among other things, these provisions abolish the Office of Thrift Supervision and transfer its functions to the other federal banking agencies, relax rules regarding interstate branching, allow financial institutions to pay interest on business checking accounts, change the scope of federal deposit insurance coverage, and impose new capital requirements on bank and thrift holding companies. The Dodd-Frank Act also establishes the Bureau of Consumer Financial Protection as an independent entity within the Federal Reserve, which will be given the authority to promulgate consumer protection regulations applicable to all entities offering consumer financial services or products, including banks. Additionally, the Dodd-Frank Act includes a series of provisions covering mortgage loan origination standards affecting originator compensation, minimum repayment standards, and pre-payments. Management is actively reviewing the provisions of the Dodd-Frank Act and assessing its probable impact on our business, financial condition, and results of operations.

In August 2010, two updates were issued to amend various SEC rules and schedules pursuant to Release No. 33-9026: Technical Amendments to Rules, Forms, Schedules and Codification of Financial Reporting Policies and based on the issuance of SEC Staff Accounting Bulletin 112. The amendments related primarily to business combinations and removed references to "minority interest" and added references to "controlling" and "noncontrolling interests(s)". The updates were effective upon issuance but had no impact on the Company's financial statements.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies are not expected to have a material impact on the Company's financial position, results of operations or cash flows.

Subsequent events

Subsequent events are events or transactions that occur after the balance sheet date but before financial statements are issued. In accordance with accounting guidance, the Company evaluated events and transactions for potential recognition or disclosure in our financial statements through the date the financial statements were issued. In July 2010 the Company made the decision to close the Mills Avenue Office of The Peoples National Bank in Greenville, South Carolina as part of an ongoing effort to reduce expenses. When the office closed in November 2010, an evaluation of the book value versus fair value of the Mills Avenue Office and related assets was performed, with an impairment charge of $150,000 reflected in the Company's 2010 financials. The office was sold in March 2011, and that transaction did not result in a material change to the Company's financial statements.

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PEOPLES BANCORPORATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES (Continued)

A Special Meeting of the Shareholders was called on January 9, 2009 for the sole purpose of amending the Company's Articles of Incorporation to authorize the Board of Directors to issue shares of Preferred Stock. A small group of dissenting shareholders representing 67,576 shares of Common Stock exercised their right to surrender their shares to the Company in exchange for fair value. The Company paid $243,000 in cash for these surrendered shares in 2009. The dissenting shareholders asserted that their shares had a greater fair value and, in March 2011 these dissenting shareholders accepted a payment from the Company in the amount of $10,000 to settle this matter, which was immaterial to the Company's financial condition.

NOTE 2 RESTRICTIONS ON CASH AND DUE FROM BANKS

The Banks are required to maintain average reserve balances with the FRB based upon a percentage of deposits. The average amounts of reserve balances maintained by the Banks at December 31, 2010 and 2009 were approximately $726,000 and $756,000, respectively.

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PEOPLES BANCORPORATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 3 SECURITIES

Securities are summarized as follows as of December 31 (tabular amounts in thousands):

	2010			
		Unrealized Holding		
	Amortized Cost	Gains	Losses	Fair Value
TRADING ASSETS:				
OTHER SECURITIES				
Maturing after ten years	$ 76	$	$	$ 76
SECURITIES AVAILABLE FOR SALE:				
GOVERNMENT SPONSORED ENTERPRISE SECURITIES				
Maturing after five but within ten years	$ 1,588	$ 138	$	$ 1,726
MORTGAGE BACKED SECURITIES				
Maturing after one year but within five years	61,031	1,345	406	61.970
Maturing after five years but within ten years	11,832	75	223	11,684
Maturing after ten years	22,797	87	632	22,252
	95,660	1,507	1,261	95,906
OTHER SECURITIES				
Maturing after ten years	601		24	577
OBLIGATIONS OF STATES AND POLITICAL SUBDIVISIONS				
Maturing after one year but within five years	1,297	83		1,380
Maturing after five years but within ten years	10,575	108	108	10,575
Maturing after ten years	20,713	116	343	20,486
	32,585	307	451	32,441
Total securities available for sale	$ 130,434	$ 1,952	$ 1,736	$ 130,650
SECURITIES HELD TO MATURITY:				
OBLIGATIONS OF STATES AND POLITICAL SUBDIVISIONS				
Maturing within one year	$ 1,546	$ 17	$	$ 1,563
Maturing after one but within five years	1,918	61		1,979
Maturing after five years but within ten years	3,271	55		3,326
Maturing after ten years	514		7	507
Total securities held to maturity	$ 7,249	$ 133	$ 7	$ 7,375

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PEOPLES BANCORPORATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 3 SECURITIES (Continued)

	2009							
			Unrealized Holding					
	Amortized Cost		Gains		Losses		Fair Value	
TRADING ASSETS:								
OTHER SECURITIES								
Maturing after ten years	$	128	$		$		$	128
SECURITIES AVAILABLE FOR SALE:								
GOVERNMENT SPONSORED ENTERPRISE SECURITIES								
Maturing after five but within ten years	$	6,792	$	340	$		$	7,132
MORTGAGE BACKED SECURITIES								
Maturing within one year		1,410		21				1,431
Maturing after one year but within five years		55,162		2,214		47		57,329
Maturing after five years but within ten years		3,147		25		6		3,166
Maturing after ten years		4,094		118		6		4,206
		63,813		2,378		59		66,132
OTHER SECURITIES								
Maturing after ten years		604				39		565
OBLIGATIONS OF STATES AND POLITICAL SUBDIVISIONS								
Maturing after one year but within five years		457		36				493
Maturing after five years but within ten years		4327		98		23		4,402
Maturing after ten years		24,166		417		80		24,503
		28,950		551		103		29,398
Total securities available for sale	$	100,159	$	3,269	$	201	$	103,227
SECURITIES HELD TO MATURITY:								
OBLIGATIONS OF STATES AND POLITICAL SUBDIVISIONS								
Maturing within one year	$	596	$	1	$		$	597
Maturing after one but within five years		3,117		127				3,244
Maturing after five years but within ten years		3,260		57				3,317
Maturing after ten years		1,429		34				1,463
Total securities held to maturity	$	8,402	$	219	$		$	8,621

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

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PEOPLES BANCORPORATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 3 SECURITIES (Continued)

The following table shows gross unrealized losses and fair value, aggregated by investment category, and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2010.

Securities Available for Sale (tabular amounts in thousands):

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mortgage backed securities	$ 52,426	$ 1,260	$ 602	$ 1	$ 53,028	$ 1,261
Other securities	488	24			488	24
State and political subdivisions	15,074	436	136	15	15,210	451
Total	$ 67,988	$ 1,720	$ 738	$ 16	$ 68,726	$ 1,736

Securities Held to Maturity (tabular amounts in thousands):

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
State and political subdivisions	$ 507	$ 7	$	$	$ 507	$ 7
Total	$ 507	$ 7	$	$	$ 507	$ 7

Three individual securities available for sale were in a continuous loss position for twelve months or more.

The following table shows gross unrealized losses and fair value, aggregated by investment category, and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2009.

Securities Available for Sale (tabular amounts in thousands):

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mortgage backed securities	$ 10,148	$ 59	$	$	$ 10 148	$ 59
Other securities			476	39	476	39
State and political subdivisions	8,823	103			8,823	103
Total	$ 18,971	$ 162	$ 476	$ 39	$ 19,447	$ 201

One individual security available for sale was in a continuous loss position for twelve months or more.

The Company has the ability and believes it is more likely than not it can hold these securities until such time as the value recovers or the securities mature. The Company believes, based on industry analyst reports and credit ratings, that the deterioration in value is largely attributable to changes in

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PEOPLES BANCORPORATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 3 SECURITIES (Continued)

market conditions and not in the credit quality of the issuer, and therefore these losses are not considered other-than-temporary. The category "other securities" above is comprised of corporate debt securities, equity securities and investments in correspondent bank stock.

Other Investments, at Cost

The Banks, as member institutions, are required to own certain stock investments in the Federal Home Loan Bank of Atlanta (the "FHLB") and the Federal Reserve Bank of Richmond (the "Federal Reserve Bank"). These investments are carried at cost and are generally pledged against any borrowings from these institutions (see Note 10). To comply with obligations under the Community Reinvestment Act, the Company may also make "qualified investments" that support causes or activities approved by the regulators. No ready market exists for these stocks and they have no quoted market values. The Company's investments in these stocks are summarized below:

(tabular amounts in thousands):

	December 31,	
	2010	2009
FRB	$ 827	$ 827
FHLB	3,242	3,629
Senior Housing Crime Prevention Preferred Shares	250	
	$ 4,319	$ 4,456

Securities with carrying amounts of $30,264,000 and $30,761,000 as of December 31, 2010 and 2009, respectively, were pledged to secure public deposits and for other purposes required or permitted by law.

NOTE 4 LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans are summarized as follows (tabular amounts in thousands):

	December 31,	
	2010	2009
Commercial	$ 28,362	$ 29,240
Real Estate:		
Residential real estate	106,759	107,942
Commercial real estate	192,351	212,812
Commercial construction	6,152	14,458
Consumer and other	7,089	9,122
	340,713	373,574
Less allowance for loan losses	(7,919)	(7,431)
	$ 332,794	$ 366,143

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PEOPLES BANCORPORATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 4 LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

The Company, through the Banks, makes loans to individuals and small- to medium-sized businesses for various personal and commercial purposes, primarily in South Carolina. Credit concentrations can exist in relation to individual borrowers or groups of borrowers, certain types of collateral, certain types of industries, certain loan products, or certain regions of the country. Credit risk associated with these concentrations could arise when a significant amount of loans, with similar characteristics, are simultaneously impacted by changes in economic or other conditions that cause their probability of repayment to be adversely affected. The Company regularly monitors its credit concentrations. The Company does not have a significant concentration in any individual borrower. No significant portion of its loans is concentrated within a single industry or group of related industries and the Company does not have any foreign loans. The Company does, however, have a geographic concentration of customers and borrowers because most of its customers and borrowers are located in the Upstate area of South Carolina, and most of the real estate securing mortgage loans is located in this area. There are no material seasonal factors that would have an adverse effect on the Company.

The composition of gross loans by rate type is as follows (tabular amounts in thousands):

	December 31, 2010	December 31, 2009
Variable rate loans	$ 107,250	$ 123,207
Fixed rate loans	233,463	250,367
	$ 340,713	$ 373,574

Changes in the allowance for loan losses were as follows (tabular amounts in thousands):

	For the years ended December 31, 2010	For the years ended December 31, 2009
BALANCE, BEGINNING OF YEAR	$ 7,431	$ 9,217
Provision for loan losses	6,625	4,958
Loans charged off	(6,572)	(6,989)
Loans recovered	435	245
BALANCE, END OF YEAR	$ 7,919	$ 7,431

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PEOPLES BANCORPORATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 4 LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

The allocation of the allowance for loan losses by portfolio segment at December 31, 2010 was as follows (tabular amounts in thousands):

	Commercial	Residential Real Estate	Commercial Real Estate	Commercial Construction	Consumer and Other	Total
Specific Reserves:						
Impaired Loans	$	$ 186	$ 951	$	$	$ 1,137
General Reserve	513	900	4,677	527	165	6,782
Total	$ 513	$ 1,086	$ 5,628	$ 527	$ 165	$ 7,919
Loans individually evaluated for impairment	$ 483	$ 3,916	$ 11,203	$	$ 17	$ 15,619
Loans collectively evaluated for impairment	27,879	102,843	181,148	6,152	7,072	325,094
Total	$ 28,362	$ 106,759	$ 192,351	$ 6,152	$ 7,089	$ 340,713

Impaired loans were as follows:

The following table presents loans individually evaluated for impairment by class of loans as of December 31, 2010 (tabular amounts in thousands).

	Impaired Loans With Allowance			Impaired Loans With No Allowance	
	Unpaid Principal	Recorded Investment	Allowance for Loan Losses Allocated	Unpaid Principal	Recorded Investment
Commercial	$	$	$	$ 483	$ 483
Real Estate:					
Residential real estate	740	740	186	2,661	3,008
Commercial real estate	5,318	4,505	951	6,158	5,635
Commercial construction				1,047	1,231
Consumer and other				25	17
Total	$ 6,058	$ 5,245	$ 1,137	$ 10,374	$ 10,374

The following is a summary of information pertaining to impaired loans and non-accrual loans at December 31, 2009 (tabular amounts in thousands):

	2009
Impaired loans without valuation allowance	$ 12,544
Impaired loans with a valuation allowance	2,202
Total impaired loans	$ 14,746
Valuation allowance related to impaired loans	$ 747
Total non-accrual loans	$ 14,881
Total loans past due ninety days or more and still accruing	$

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PEOPLES BANCORPORATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 4 LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

Average impaired loans and related interest income for the years ended December 31, 2010 and 2009 are as follows:

	December 31, 2010	December 31, 2009
Average of impaired loans during the years	$ 19,406	$ 17,731
Interest income recognized on impaired loans		
Interest income recognized on a cash basis on impaired loans	36	

There were no loans greater than 90 days past due and still accruing interest.

Non-performing loans and impaired loans are defined differently. As such, some loans may be included in both categories, whereas other loans may only be included in one category.

Delinquent Loans at December 31, 2010, were as follows (tabular amounts in thousands):

	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Total Current	Total Loans
Commercial	$ 10	$	$ 483	$ 493	$ 27,869	$ 28,362
Real Estate:						
Residential real estate	1,842	70	612	2,524	104,235	106,759
Commercial real estate	1,330	1,785	6,570	9,685	182,666	192,351
Commercial construction			728	728	5,424	6,152
Consumer and other	25	174		199	6,890	7,089
Total	$ 3,207	$ 2,029	$ 8,393	$ 13,629	$ 327,084	$ 340,713

Credit Quality Indicators

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company analyzes loans individually by classifying loans as to credit risk. Loans classified as substandard or special mention are reviewed monthly by the Company for further deterioration or improvement to determine if appropriately classified. All commercial loans greater than $50,000 are reviewed when originated and a sample of smaller consumer relationships are reviewed after origination. Larger relationships are reviewed on an annual basis or more frequently if needed. In addition, during the renewal process of any loans, as well if a loan becomes past due, the Company will evaluate the loan grade.

Loans excluded from the scope of the review process above are generally classified as pass credits until: (a) they become past due; (b) management becomes aware of deterioration in the credit worthiness of the borrower; or (c) the customer contacts the Banks for a modification. In these

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PEOPLES BANCORPORATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 4 LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

circumstances, the loan is specifically evaluated for potential classification as to special mention, substandard or even charged-off. The following definitions are used for risk ratings:

Special Mention. Loans classified as special mention have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loans or of the Bank's credit position at some future date.

Substandard. Loans classified as substandard are inadequately protected by the current net worth and payment capacity of the obligors or of the collateral pledged, if any. Loans so classified have well-defined weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.

Doubtful. Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, condition, and values, highly questionable and improbable.

The table below sets forth total loans and the amounts of loans by type in each of these risk categories at December 31, 2010 (tabular amounts in thousands):

	Total	Pass Credits	Special Mention	Substandard	Doubtful
Commercial	$ 28,362	$ 25,961	$ 1,064	$ 1,335	$ 2
Real Estate:					
Residential real estate	106,759	102,778	1,729	2,252	
Commercial real estate	192,351	140,916	17,851	33,583	
Commercial construction	6,152	3,454	1,052	1,647	
Consumer and other	7,089	7,071	18		
Total	$ 340,713	$ 280,180	$ 21,714	$ 38,817	$ 2

NOTE 5 PREMISES AND EQUIPMENT

The principal categories and estimated useful lives of premises and equipment are summarized in the table below (tabular amounts in thousands):

	Estimated useful lives	December 31, 2010	December 31, 2009
Land		$ 3,618	$ 3,873
Building and improvements	15-40 years	9,624	9,966
Furniture, fixtures and equipment	3-10 years	9,115	8,972
		22,357	22,811
Less accumulated depreciation		11,334	10,541
		$ 11,023	$ 12,270

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PEOPLES BANCORPORATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 5 PREMISES AND EQUIPMENT (Continued)

Depreciation expense of approximately $920,000 and $1,059,000 for 2010 and 2009, respectively, is included in occupancy and equipment expenses in the accompanying consolidated statements of income.

NOTE 6 ASSETS ACQUIRED IN SETTLEMENT OF LOANS

The following table summarizes the composition of assets acquired in settlement of loans as of the dates noted (tabular amounts in thousands):

	For the years ended December 31,	
	2010	**2009**
Construction and land development	$ 9,964	$ 9,516
Residential real estate	2,870	1,763
Commercial real estate	510	211
Total assets acquired in settlement of loans	$ 13,344	$ 11,490

The following summarizes activity with respect to assets acquired in settlement of loans (tabular amounts in thousands):

	For the years ended December 31,	
	2010	**2009**
BALANCE, BEGINNING OF YEAR	$ 11,490	$ 5,428
Additions foreclosures	9,943	15,536
Sales	(7,017)	(9,344)
Write downs	(522)	(130)
Valuation reserve	(550)	
BALANCE, END OF YEAR	$ 13,344	$ 11,490

NOTE 7 DEPOSITS

The composition of deposits is as follows (tabular amounts in thousands):

	December 31,	
	2010	**2009**
Demand deposits, noninterest bearing	$ 48,151	$ 55,367
NOW and money market accounts	151,253	137,744
Savings deposits	10,437	10,370
Time certificates, $100,000 or more	120,586	125,922
Other time certificates	144,327	155,593
Total	$ 474,754	$ 484,996

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PEOPLES BANCORPORATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 7 DEPOSITS (Continued)

	December 31,	
	2010	**2009**
Time certificates maturing		
Within one year	$ 183,444	$ 242,527
After one but within two years	60,846	24,539
After two but within three years	19,898	13,614
After three but within four years	393	432
After four years	332	403
	264,913	281,515
Transaction and savings accounts	209,841	203,481
	$ 474,754	$ 484,996

Time certificates of deposit in excess of $100,000, excluding IRAs, totaled approximately $104,288,000 and $111,042,000 at December 31, 2010 and 2009, respectively. Interest expense on certificates of deposit in excess of $100,000 was approximately, $1,890,000 in 2010 and $2,598,000 in 2009. The Banks had brokered time certificates of deposit totaling approximately $43,194,000 at December 31, 2010 and $59,565,000 at December 31, 2009. Traditional brokered time deposits at the Banks amounted to approximately $25,121,000 at December 31, 2010 and $25,048,000 at December 31, 2009. Brokered time deposits, within the Certificate of Deposit Account Registry Service ("CDARS"), at the Banks amounted to approximately $18,073,000 at December 31, 2010 and $34,517,000 at December 31, 2009.

NOTE 8 SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Securities sold under repurchase agreements are summarized as follows (tabular amounts in thousands):

	December 31,	
	2010	**2009**
Government sponsored enterprise securities with an amortized cost of $22,527,000 ($22,914,000 fair value) and $19,910,000 ($20,764,000 fair value) at December 31, 2010 and 2009, respectively, Collateralize the agreements	$ 10,362	$ 12,785

The Banks enter into sales of securities under agreements to repurchase. These obligations to repurchase securities sold are reflected as liabilities in the consolidated balance sheets. The dollar amount of securities underlying the agreements remains in the asset accounts. The securities underlying the agreements are book entry securities maintained by a safekeeping agent. The weighted average interest rate of these agreements was 0.68 percent and 0.53 percent for 2010 and 2009, respectively. The agreements mature daily. Securities sold under agreements to repurchase averaged $13,809,000 and $16,122,000 during 2010 and 2009, respectively. The maximum amounts outstanding at any month-end were $16,572,000 and $19,671,000 during 2010 and 2009, respectively.

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PEOPLES BANCORPORATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 9 FEDERAL FUNDS PURCHASED

At December 31, 2010, the Banks had the ability to purchase federal funds from unrelated banks under short-term lines of credit totaling $22,000,000. These lines of credit are available on a one- to seven-day basis for general corporate purposes.

NOTE 10 ADVANCES UNDER LINES OF CREDIT

The Banks have the ability to borrow up to 20 percent of their total assets under lines of credit from the FHLB subject to available qualifying collateral. Borrowings may be obtained under various FHLB lending programs with various terms. Borrowings from the FHLB require qualifying collateral (which includes certain mortgage loans, investment securities and FHLB stock) and may require purchasing additional stock in the FHLB.

The Banks had no advances at December 31, 2010 and December 31, 2009. At December 31, 2010 and 2009, the lines were collateralized by qualifying mortgage loans aggregating approximately $54,999,000 and $52,661,000, respectively. The Banks also had lines collateralized by investment securities owned by the Banks in the amount of $12,649,000 at December 31, 2009. No investment securities owned by the Banks were used as collateral for FHLB borrowings at December 31, 2010. As of December 31, 2010 the Banks had the ability to borrow $54,999,000 from the FHLB.

Beginning in 2010, the Banks also have the ability to borrow funds from the Federal Reserve Bank through the Discount Window. This short-term borrowing relationship is collateralized by qualifying 1-4 family construction real estate, residential and commercial land, and commercial and industrial loans, aggregating approximately $12,220,000 at December 31, 2010. The Banks had no Discount Window advances at December 31, 2010.

NOTE 11 INCOME TAXES

Provision (benefit) for income taxes consists of the following (tabular amounts in thousands):

	For the years ended December 31, 2010	2009
Current tax provision		
Federal	$ 203	$ (126)
State	44	40
Total current tax expense (benefit)	247	(86)
Deferred tax benefit	(916)	(603)
Benefit for income taxes	$ (669)	$ (689)

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PEOPLES BANCORPORATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 11 INCOME TAXES (Continued)

Income taxes differ from the tax expense computed by applying the statutory federal income tax rate of 34 percent to income before income taxes. The reasons for these differences are as follows (tabular amounts in thousands):

	For the years ended December 31, 2010	2009
Tax benefit at statutory rate	$ (97)	$ (42)
Increase (decrease) in taxes resulting from:		
State income taxes, net of federal benefit	30	26
Tax-exempt interest income	(494)	(513)
Investment in life insurance	(166)	(160)
Other	58	
Benefit for income taxes	$ (669)	$ (689)

Deferred tax assets (liabilities) result from temporary differences in the recognition of revenue and expenses for tax and financial statement purposes. Management believes realization of the deferred tax assets is more likely than not and accordingly has not recorded a valuation allowance. The sources and the cumulative tax effect of temporary differences are as follows (tabular amounts in thousands):

	December 31, 2010	2009
Deferred tax assets		
Allowance for loan losses	$ 2,692	$ 2,526
Deferred compensation	426	340
Other than temporary impairment	1,032	1,032
Alternative minimum tax credit	1,168	918
Depreciation	41	
Other	842	553
	6,201	5,369
Deferred tax liabilities		
Depreciation		(2)
Prepaid expenses	(128)	(210)
Unrealized holding gains on securities available for sale	(74)	(1,043)
	(202)	(1,255)
Net deferred tax assets included in other assets	$ 5,999	$ 4,114

Net operating loss carry forward expires in 2030.

The Company has analyzed the tax positions taken or expected to be taken in its tax returns and concluded it has no liability related to uncertain tax positions in accordance with ASC Topic 740.

PEOPLES BANCORPORATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 12 FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

The Banks are parties to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of their customers. These financial instruments include commitments to extend credit and standby letters of credit. They involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the balance sheets.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amounts of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any material condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require the payment of a fee. At December 31, 2010, unfunded commitments to extend credit were $68,055,000, of which $62,960,000 was at variable rates and $5,095,000 was at fixed rates. These commitments included $2,898,000 of unfunded amounts of construction loans, $48,169,000 of undisbursed amounts of home equity lines of credit, $11,158,000 of unfunded amounts under commercial lines of credit, and $5,830,000 of other commitments to extend credit. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the borrower. Collateral varies but may include accounts receivable, inventory, property, plant and equipment, commercial and residential real estate.

At December 31, 2010, there was $2,412,000 committed under letters of credit. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. Collateral varies but may include accounts receivable, inventory, equipment, marketable securities and property. Since most of the letters of credit are expected to expire without being drawn upon, they do not necessarily represent future cash requirements.

The Company has not recorded a liability for the current carrying amount of the obligation to perform as a guarantor, and no contingent liability was considered necessary, as such amounts were not considered material.

NOTE 13 COMMITMENTS AND CONTINGENCIES

The Company is, from time to time, a party to various lawsuits and claims arising in the ordinary conduct of its business. Management does not expect such matters to have any material adverse effect on the financial position or results of operations of the Company.

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of loans receivable, investment securities, federal funds sold and amounts due from banks.

NOTE 14 RELATED PARTY TRANSACTIONS

At December 31, 2010 and 2009, certain officers, directors, employees, related parties and companies in which they have 10 percent or more beneficial ownership, were indebted to the Banks in the aggregate amount of $25,251,000 and $22,406,000, respectively. During 2010, $5,362,000 of new loans were made to this group and repayments of $2,517,000 were received. This same group had deposits in the Banks of $6,965,000 and $6,863,000 at December 31, 2010 and 2009, respectively.

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PEOPLES BANCORPORATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 15 COMMON STOCK AND EARNINGS (LOSS) PER SHARE

Earnings (loss) per common share is computed and presented in accordance with ASC Topic 260. The assumed conversion of stock options creates the difference between basic and diluted net income (loss) per common share. Income (loss) per share is calculated by dividing net income by the weighted average number of common shares outstanding for each period presented.

	December 31,	
(Amounts in thousands except share information)	**2010**	**2009**
Net loss available to common shareholders	$ (440)	$ (224)
Weighted average shares outstanding:		
Basic	7,003,063	7,030,935
Diluted	7,003,063	7,030,935
Loss per common share:		
Basic	$ (0.06)	$ (0.03)
Diluted	$ (0.06)	$ (0.03)

Common shares totaling 26,507 subject to exercisable options were excluded from the 2010 earnings per share calculation because they are considered anti-dilutive and 58,899 subject to exercisable options shares were excluded from the calculation in 2009.

NOTE 16 PREFERRED STOCK AND RESTRICTIONS ON DIVIDENDS

On April 24, 2009 the Company entered into a Letter Agreement and Securities Purchase Agreement (the "Purchase Agreement") with the U.S. Treasury Department ("Treasury") under the Troubled Asset Relief Program ("TARP") Capital Purchase Program, pursuant to which the Company sold the Treasury (i) 12,660 shares of the Company's Fixed Rate Cumulative Perpetual Preferred Stock, Series T (the "Series T Preferred Stock") and (ii) a warrant (the "Warrant") to purchase 633 shares of the Company's Fixed Rate Cumulative Perpetual Preferred Stock, Series W (the "Series W Preferred Stock") for an aggregate purchase price of $12,660,000 in cash (The Series T Preferred Stock and Series W Preferred Stock are referred to collectively as the "Preferred Stock,"). The Warrant was exercised by Treasury immediately, and the net proceeds from the sale of $12,615,000 were allocated between the Series T Preferred Stock and the Series W Preferred Stock based on their relative fair values at the time of the sale. Of the net proceeds, $11,910,000 was allocated to the Series T Preferred Stock and $705,000 was allocated to the Series W Preferred Stock. The accretion of the discount recorded on the Series T Preferred Stock, net of the amortization of the premium recorded on the Series W Preferred Stock, is offset directly against retained earnings over a five-year period applying a level yield, and is reported on the consolidated statement of income (loss) in the determination of the amount of net loss available to common shareholders.

The Series T Preferred Stock will pay cumulative dividends at a rate of 5% per annum for the first five years and 9% per annum thereafter. The Series W Preferred Stock will pay cumulative dividends at a rate of 9% per annum. The cumulative dividend for the Preferred Stock is accrued and payable on February 15, May 15, August 15 and November 15 of each year. The Company declared and paid $690,000 in preferred stock dividends to the U.S. Treasury in 2010. Both the Series T and Series W Preferred Stock qualify as Tier I capital and may be redeemed after April 24, 2012 at the stated amount of $1,000 per share plus any accrued and unpaid dividends. Prior to April 24, 2012, the

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PEOPLES BANCORPORATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 16 PREFERRED STOCK AND RESTRICTIONS ON DIVIDENDS (Continued)

Preferred Stock may be redeemed only with proceeds from the sale of qualifying equity securities. The Preferred Stock is non-voting except for class voting rights on matters that would adversely affect the rights of the holders of the Series T or Series W Preferred Stock.

Pursuant to the terms of the Purchase Agreement, the ability of the Company to declare or pay dividends or make other distributions on its Common Stock is subject to restrictions, including a restriction against increasing dividends from the last quarterly cash dividend per share declared on the Common Stock prior to April 24, 2009. In addition, as long as the Preferred Stock is outstanding, Common Stock dividend payments are prohibited until all accrued and unpaid dividends are paid on such Preferred Stock, subject to certain limited exceptions. This restriction will terminate on April 24, 2012, or earlier if the Preferred Stock has been redeemed in whole or if the Treasury has transferred all of the Preferred Stock to third parties. The Company paid no cash dividends to its common shareholders in 2010 or 2009.

NOTE 17 STOCK OPTION COMPENSATION PLANS

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions for grants in 2010 and 2009: dividend yields of $0.0 per share, expected volatility from 22 to 39 percent, risk-free interest rates from 2.44 to 3.98 percent, and expected life of 10 years. The weighted average fair market value of options granted approximated $1.00 in 2010 and $1.49 in 2009.

A summary of the status of the plans as of December 31, 2010 and 2009, and changes during the years ending on those dates is presented below (all shares and exercise prices have been adjusted for stock dividends and the stock split since the date of grant):

	Options outstanding			
	Number of Shares	Weighted Average Exercise Price	Weighted Average Contractual Term (years)	Aggregate Intrinsic Value
Outstanding at December 31, 2008	146,263	$ 10.56		
Granted	15,500	2.77		
Exercised	(500)	2.75		$
Forfeited or expired	(6,395)	9.27		
Outstanding at December 31, 2009	154,868	9.86	6.23	$
Granted	9,500	2.03		
Exercised				
Forfeited or expired	(20,944)	9.72		
Outstanding at December 31, 2010	143,424	9.36	5.78	$
Options exercisable at year-end	125,125	9.83	5.45	$
Shares available for grant at December 31, 2010	351,650			

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PEOPLES BANCORPORATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 17 STOCK OPTION COMPENSATION PLANS (Continued)

	Number of Shares	Weighted Average Grant Date Fair Value
Non-vested options at December 31, 2009	24,869	$ 8.02
Granted	9,500	2.03
Vested	(15,020)	10.89
Forfeited or expired	(1,050)	9.95
Non-vested options at December 31, 2010	18,299	$ 6.17

We have unrecognized compensation cost of $43,863 and $76,814 in 2010 and 2009 respectively, related to non-vested stock options.

Weighted Average Remaining Contractual Life (Years)	Number of Shares Outstanding	Weighted Average Exercise Price	Number Of Shares Exercisable	Weighted Average Exercise Price
Less than one year	10,911	$ 8.08	10,911	$ 8.08
After one year but within two years	16,473	9.16	16,473	9.16
After two years but within three years	3,820	10.47	3,820	10.47
After three years but within four years	22,099	12.96	22,099	12.96
After four years but within five years	13,310	14.91	13,310	14.91
After five years but within six years	21,364	10.75	18,574	10.77
After six years but within seven years	17,447	10.49	13,788	10.57
After seven years but within eight years	14,000	7.59	10,400	7.59
After eight years but within nine years	14,500	2.77	10,000	2.76
After nine years	9,500	2.09	5,750	2.29
	143,424	9.36	125,125	9.83

The plans are administered by the Board of Directors or by a committee designated by the Board. The plans provide that if the shares of common stock shall be subdivided or combined into a greater or smaller number of shares or if the Company shall issue any shares of common stock as a stock dividend on its outstanding common stock, the number of shares of common stock deliverable upon the exercise of options shall be increased or decreased proportionately, and appropriate adjustments shall be made in the purchase price per share to reflect such subdivision, combination or stock dividend.

NOTE 18 EMPLOYEE BENEFIT PLANS

The Company maintains a 401(k) retirement plan for all eligible employees. Upon ongoing approval of the Board of Directors, the Company matches employee contributions equal to one-hundred percent of such contributions which do not exceed three percent of the contributor's annual salary, plus fifty percent of such contributions as exceed three percent but do not exceed five percent of the contributor's annual salary, subject to certain adjustments and limitations. Contributions to the plan of $205,450 and $212,553 were charged to operations during 2010 and 2009, respectively.

Supplemental benefits have been approved by the Board of Directors for certain executive officers of the Company. These benefits are not qualified under the Internal Revenue Code and they are not funded. However, a source for certain funding is provided informally and indirectly by life insurance policies owned by the Banks. The Company recorded expense related to these benefits of $79,465 and $282,360 in 2010 and 2009, respectively.

PEOPLES BANCORPORATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 19 REGULATORY MATTERS

The Banks are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Banks' financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Banks must meet specific capital guidelines that involve quantitative measures of the Banks' assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Banks' capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weighting, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Banks to maintain minimum amounts and ratios (set forth in the table below) of total and Tier 1 capital to risk-weighted assets, and of Tier 1 capital to adjusted total assets. Management believes, as of December 31, 2010, that the Banks meet all capital adequacy requirements to which they are subject.

On October 15, 2008, one of the Company's Bank subsidiaries, Bank of Anderson, N.A., the assets of which represent approximately 25% of the Company's total consolidated assets, entered into a formal agreement with the OCC for the Bank to take various actions with respect to the operation of the Bank. Also, on August 16, 2010, one of the Company's other Bank subsidiaries, The Peoples National Bank, the assets of which represent approximately 60% of the Company's total consolidated assets, entered into a formal agreement with the OCC for the Bank to take various actions with respect to the operation of the Bank. The substantive actions called for by the agreements should strengthen the Banks and make them more efficient in the long term. Implementation of the agreements has increased the Bank's administrative costs somewhat for the near term, but the amount of such increases is not expected to be material to the Company. Many of the actions required by the agreements have already been implemented by the Banks. The actions for each Bank include:

a. creation of a committee of the Bank's board of directors to monitor compliance with the agreement and make monthly reports to the board of directors and the OCC;

b. adoption, implementation and adherence to a capital program and a profit plan;

c. protection of its interest in its criticized assets (those assets classified as "loss," "doubtful," "substandard," or "special mention" by internal or external loan review or examination), and adoption, implementation and adherence to a written program designed to eliminate the basis of the criticism, as well as restricting further extensions of credit to borrowers whose loans are subject to criticism;

d. development, implementation and adherence to a written program to improve the bank's credit risk identification process;

e. adoption, implementation and adherence to a written program to reduce the high level of credit risk in the bank;

f. development, implementation and adherence to a written program to improve the bank's loan portfolio management;

g. ensuring that the level of liquidity at the bank is sufficient to sustain the bank's current operations and meet anticipated or extraordinary demand; and

h. obtaining a determination of no supervisory objection from the OCC before accepting brokered deposits.

Additionally, the Banks are required by the agreements to submit numerous periodic reports to the OCC regarding various aspects of the foregoing actions. Management believes the Banks have complied with these requirements.

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PEOPLES BANCORPORATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 19 REGULATORY MATTERS (Continued)

The Company's and the Banks' actual capital amounts and ratios and minimum regulatory amounts and ratios are presented in the table that follows.

	Actual		For capital adequacy purposes Minimum		To be well capitalized under prompt corrective action provisions Minimum	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(dollar amounts in thousands)					
Peoples Bancorporation, Inc.:						
As of December 31, 2010						
Total Capital (to risk-weighted assets)	$ 53,019	14.12%	$ 30,039	8.00%	N/A	N/A
Tier 1 Capital (to risk-weighted assets)	48,286	12.86	15,019	4.00	N/A	N/A
Tier 1 Capital (to adjusted total assets)	48,286	8.92	21,653	4.00	N/A	N/A
As of December 31, 2009						
Total Capital (to risk-weighted assets)	54,568	13.67	31,934	8.00	N/A	N/A
Tier 1 Capital (to risk-weighted assets)	49,546	12.41	15,970	4.00	N/A	N/A
Tier 1 Capital (to adjusted total assets)	49,546	9.03	21,947	4.00	N/A	N/A
The Peoples National Bank(1):						
As of December 31, 2010						
Total Capital (to risk-weighted assets)	31,705	13.29	19,085	8.00	23,856	10.00
Tier 1 Capital (to risk-weighted assets)	28,690	12.03	9,539	4.00	14,309	6.00
Tier 1 Capital (to adjusted total assets)	28,690	8.91	12,880	4.00	16,100	5.00
As of December 31, 2009						
Total Capital (to risk-weighted assets)	33,201	12.87	20,638	8.00	25,797	10.00
Tier 1 Capital (to risk-weighted assets)	29,954	11.61	10,320	4.00	15,480	6.00
Tier 1 Capital (to adjusted total assets)	29,954	8.73	13,725	4.00	17,156	5.00
Bank of Anderson, N.A.(1):						
As of December 31, 2010						
Total Capital (to risk-weighted assets)	13,143	15.53	6,770	8.00	8,463	10.00
Tier 1 Capital (to risk-weighted assets)	12,079	14.28	3,383	4.00	5,075	6.00
Tier 1 Capital (to adjusted total assets)	12,079	8.33	5,800	4.00	7,250	5.00
As of December 31, 2009						
Total Capital (to risk-weighted assets)	13,111	15.16	6,919	8.00	8,648	10.00
Tier 1 Capital (to risk-weighted assets)	12,025	13.90	3,460	4.00	5,191	6.00
Tier 1 Capital (to adjusted total assets)	12,025	9.01	6,339	4.00	6,673	5.00
Seneca National Bank(1):						
As of December 31, 2010						
Total Capital (to risk-weighted assets)	7,169	13.71	4,182	8.00	5,228	10.00
Tier 1 Capital (to risk-weighted assets)	6,513	12.46	2,091	4.00	3,136	6.00
Tier 1 Capital (to adjusted total assets)	6,513	8.82	2,954	4.00	3,692	5.00
As of December 31, 2009						
Total Capital (to risk-weighted assets)	6,703	12.31	4,356	8.00	5,445	10.00
Tier 1 Capital (to risk-weighted assets)	6,017	11.05	2,178	4.00	3,267	6.00
Tier 1 Capital (to adjusted total assets)	6,017	8.08	2,979	4.00	3,723	5.00

(1)

The OCC has established individual minimum capital ratios for the three Banks pursuant to 12 C.F.R. Section 3.10. These minimum requirements exceed the normal regulatory requirements to be well capitalized. Currently each of the Banks is required to maintain 12% total risk-based capital, 10% tier 1 risk-based capital, and 8% leverage ratio.

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PEOPLES BANCORPORATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 20 FAIR VALUE OF FINANCIAL INSTRUMENTS

ASC Topic 820 requires disclosure of fair value information, whether or not recognized in the balance sheets, when it is practical to estimate the fair value. ASC Topic 820 defines a financial instrument as cash, evidence of an ownership interest in an entity or contractual obligations which require the exchange of cash or other financial instruments. Certain items are specifically excluded from the disclosure requirements, including the Company's common and preferred stock, premises and equipment and other assets and liabilities.

Fair value approximates carrying value for the following financial instruments due to the short-term nature of the instrument: cash and due from banks, interest-bearing deposits in other banks, federal funds sold and purchased, short-term FHLB advances, and securities sold under repurchase agreements.

Securities are valued using quoted fair market prices. Other investments are valued at par value.

Fair value for variable-rate loans that reprice frequently, loans held for sale, and loans that mature in less than three months is based on the carrying value. Fair value for fixed-rate mortgage loans, personal loans, and all other loans (primarily commercial) maturing after three months is based on the discounted present value of the estimated future cash flows. Discount rates used in these computations approximate the rates currently offered for similar loans of comparable terms and credit quality.

Fair value for cash surrender value life insurance approximates its carrying value.

Fair value for demand deposit accounts and interest-bearing accounts with no fixed maturity date is equal to the carrying value. Certificate of deposit accounts and securities sold under repurchase agreements maturing within one year are valued at their carrying value. The fair value of certificates of deposit is estimated by discounting cash flows from expected maturities using current interest rates on similar instruments.

The Company has used management's best estimate of fair value based on the above assumptions. Thus, the fair values presented may not be the amounts which could be realized in an immediate sale or settlement of the instrument. In addition, any income taxes or other expenses which would be incurred in an actual sale or settlement are not taken into consideration in the fair value presented.

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PEOPLES BANCORPORATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 20 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The estimated fair values of the Company's financial instruments are as follows (tabular amounts in thousands):

	December 31,			
	2010		2009	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Cash and due from banks	$ 6,612	$ 6,612	$ 11,862	$ 11,862
Interest-bearing deposits in other banks	1	1	420	420
Federal funds sold	10,631	10,631	14,592	14,592
Trading assets	76	76	128	128
Securities available for sale	130,650	130,650	103,227	103,227
Securities held to maturity	7,249	7,375	8,402	8,621
Other investments	4,319	4,319	4,456	4,456
Loans (gross)	340,713	338,445	373,574	370,420
Cash surrender value of life insurance	12,791	12,791	12,304	12,304
Financial liabilities:				
Deposits	474,754	471,323	484,996	477,788
Securities sold under repurchase agreements	10,362	10,362	12,785	12,785
Federal funds purchased			399	399

The ASC for fair value provides a framework for measuring and disclosing fair value under generally accepted accounting principles and requires disclosures about the fair value of assets and liabilities recognized in the balance sheet in periods subsequent to initial recognition, whether the measurements are made on a recurring basis (for example, available-for-sale investment securities) or on a nonrecurring basis (for example, impaired loans).

Fair value is identified as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The standard establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and

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PEOPLES BANCORPORATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 20 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market, as well as U.S. Treasury and other securities that are highly liquid and are actively traded in over-the-counter markets.

Level 2 Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments and derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes U.S. Government and agency mortgage-backed debt securities and impaired loans that are carried at the appraisal value of the underlying collateral.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. For example, this category generally includes certain private equity investments, retained residual interests in securitizations, residential mortgage servicing rights, and highly-structured or long-term derivative contracts.

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PEOPLES BANCORPORATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 20 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Assets and liabilities measured at fair value on a recurring basis or nonrecurring basis are as follows as of December 31, 2010 (tabular amounts in thousands):

	Quoted market price in active markets for identical assets/liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Recurring Basis:				
Available for sale securities:				
Government sponsored enterprise securities	$	$ 1,726	$	$ 1,726
Mortgage backed securities		96,906		96,906
Other securities		577		577
Obligations of state and political subdivisions		32,441		32,441
Trading assets	76			76
Total	$ 76	$ 130,650	$	$ 130,726
Nonrecurring Basis:				
Impaired loans	$	$ 14,482	$	$ 14,482
Assets acquired in settlement of loans		13,344		13,344
Total	$	$ 27,826	$	$ 27,826

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PEOPLES BANCORPORATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 20 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Assets and liabilities measured at fair value on a recurring basis or nonrecurring basis are as follows as of December 31, 2009 (tabular amounts in thousands):

	Quoted market price in active markets for identical assets/liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Recurring Basis:				
Available for sale securities:				
Government sponsored enterprise securities	$	$ 7,132	$	$ 7,132
Mortgage backed securities		66,132		66,132
Other securities		565		565
Obligations of state and political subdivisions		29,398		29,398
Trading assets	128			128
Total	$ 128	$ 103,227	$	$ 103,355
Nonrecurring Basis:				
Impaired loans	$	$ 13,999	$	$ 13,999
Assets acquired in settlement of loans		11,490		11,490
Total	$	$ 25,489	$	$ 25,489

NOTE 21 CONDENSED FINANCIAL INFORMATION

Following is condensed financial information of Peoples Bancorporation, Inc. (parent company only) (tabular amounts in thousands):

CONDENSED BALANCE SHEETS

	December 31, 2010	December 31, 2009
ASSETS		
Cash	$ 996	$ 1,589
Investment in bank subsidiaries	51,294	52,892
Other assets	172	294
	$ 52,462	$ 54,775
LIABILITIES AND SHAREHOLDERS' EQUITY		
Other liabilities	$ 164	$ 332
Shareholders' equity	52,298	54,443
	$ 52,462	$ 54,775

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PEOPLES BANCORPORATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 21 CONDENSED FINANCIAL INFORMATION (Continued)

CONDENSED STATEMENTS OF INCOME

	For the years ended December 31, 2010	2009
INCOME		
Fees and dividends from subsidiaries	$ 4,874	$ 5,189
EXPENSES		
Interest expense		182
Salaries and benefits	3,354	3,477
Occupancy	9	7
Equipment	354	392
Other operating	1,135	1,139
	4,852	5,197
EQUITY IN UNDISTRIBUTED NET INCOME (LOSS) OF BANK SUBSIDIARIES	283	220
Income before income taxes	305	212
INCOME TAX BENEFIT	(78)	(108)
NET INCOME	$ 383	$ 320

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PEOPLES BANCORPORATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 21 CONDENSED FINANCIAL INFORMATION (Continued)

CONDENSED STATEMENTS OF CASH FLOWS

	For the years ended December 31,	
	2010	2009
OPERATING ACTIVITIES		
Net income	$ 383	$ 320
Adjustments to reconcile net income to net cash provided by operating activities		
Equity in undistributed net income of bank subsidiaries	(283)	(220)
Stock based compensation	43	73
(Increase) decrease in other assets	122	(7)
(Decrease) increase in other liabilities	(168)	61
Net cash provided by operating activities	97	227
FINANCING ACTIVITIES		
Net change in borrowings		(11,000)
Proceeds from the exercise of stock options		2
Proceeds from the issuance of preferred stock		12,615
Common shares surrendered for cash by dissenting shareholders		(243)
Cash dividends	(690)	(385)
Net cash provided by (used for) financing activities	(690)	989
Net increase (decrease) in cash	(593)	1,216
CASH, BEGINNING OF YEAR	1,589	373
CASH, END OF YEAR	$ 996	$ 1,589

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PEOPLES BANCORPORATION, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands except per share and share data)

	September 30, 2011 Unaudited	December 31, 2010 Audited	September 30, 2010 Unaudited
ASSETS			
CASH AND DUE FROM BANKS	$ 8,178	$ 6,612	$ 8,883
INTEREST-BEARING DEPOSITS IN OTHER BANKS	1	1	17
FEDERAL FUNDS SOLD	9,624	10,631	2,169
Total cash and cash equivalents	17,803	17,244	11,069
SECURITIES			
Trading assets	240	76	52
Available for sale	174,585	130,650	128,287
Held to maturity (market value of $4,804, $7,375 and $8,120)	4,526	7,249	7,815
Other investments, at cost	3,076	4,319	4,196
LOANS-less allowance for loan losses of $7,769, $7,919 and $8,317	296,801	332,794	343,580
PREMISES AND EQUIPMENT, net of accumulated depreciation and amortization	10,642	11,023	11,726
ACCRUED INTEREST RECEIVABLE	2,355	2,288	2,299
ASSETS ACQUIRED IN SETTLEMENT OF LOANS	15,723	13,344	14,714
CASH SURRENDER VALUE OF LIFE INSURANCE	13,147	12,791	12,668
OTHER ASSETS	6,958	9,292	8,884
TOTAL ASSETS	$ 545,856	$ 541,070	$ 545,290
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
DEPOSITS			
Noninterest-bearing	$ 50,473	$ 48,151	$ 48,813
Interest-bearing	421,858	426,603	425,184
Total deposits	472,331	474,754	473,997
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS	10,664	10,362	12,856
ACCRUED INTEREST PAYABLE	1,247	1,639	1,718
OTHER LIABILITIES	3,307	2,017	2,502
Total Liabilities	487,549	488,772	491,073
SHAREHOLDERS' EQUITY			
Preferred stock 15,000,000 shares authorized			
Preferred stock Series T $1,000 per share liquidation preference; issued and outstanding 12,660 shares at September 30, 2011, December 31, 2010 and September 30, 2010	12,251	12,139	12,102
Preferred stock Series W $1,000 per share liquidation preference; issued and outstanding 633 shares at September 30, 2011, December 31, 2010 and September 30, 2010	671	682	685
Common stock 15,000,000 shares authorized, $1.11 par value per share, 7,021,563 shares issued at September 30, 2011 and 7,003,063 shares issued at December 31, 2011 and September 30, 2010	7,794	7,774	7,774
Additional paid-in capital	41,729	41,701	41,689
Retained deficit	(9,020)	(10,142)	(10,258)
Accumulated other comprehensive income	4,882	144	2,225

Total Shareholders' Equity	58,307	52,298	54,217
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 545,856	$ 541,070	$ 545,290

See Notes to Unaudited Consolidated Financial Statements which are an integral part of these statements.

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PEOPLES BANCORPORATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (LOSS)

(Dollars in thousands except per share and share data)

Unaudited

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
INTEREST INCOME				
Interest and fees on loans	$ 4,577	$ 5,228	$ 14,150	$ 16,128
Interest on securities				
Taxable	1,041	889	3,182	2,569
Tax-exempt	671	357	1,497	1,083
Interest on federal funds	2	9	18	31
Total interest income	6,291	6,483	18,847	19,811
INTEREST EXPENSE				
Interest on deposits	1,253	1,739	4,127	5,570
Interest on federal funds purchased and securities sold under repurchase agreements	19	25	61	69
Interest on advances from Federal Home Loan Bank	1	1	1	1
Total interest expense	1,273	1,765	4,189	5,640
Net interest income	5,018	4,718	14,658	14,171
PROVISION FOR LOAN LOSSES	938	1,515	2,743	6,110
Net interest income after provision for loan losses	4,080	3,203	11,915	8,061
NON-INTEREST INCOME				
Service charges on deposit accounts	358	410	1,033	1,164
Customer service fees	20	18	85	82
Mortgage banking	113	183	324	332
Brokerage services	60	46	159	135
Bank owned life insurance	140	140	416	415
Gain on sale of available-for-sale securities	328	150	330	964
Gain (loss) on trading assets	(114)	11	164	(76)
Other noninterest income	258	246	774	704
Total noninterest income	1,163	1,204	3,285	3,720
NON-INTEREST EXPENSES				
Salaries and benefits	1,957	2,020	5,985	6,123
Occupancy and equipment	490	499	1,433	1,513
Marketing and advertising	44	35	155	115
Communications	52	60	155	181
Printing and supplies	35	35	96	106
Bank paid loan costs	39	95	126	206
Net operation cost of other real estate owned	936	455	2,183	1,001
Director fees	78	71	223	239
ATM/Debit card expenses	73	67	214	191
Legal and professional fees	139	119	370	350
Regulatory assessments	379	337	1,137	994
Other post employment benefits	51	74	208	239
Other operating expenses	365	355	1,071	1,086

Total noninterest expenses	4,638	4,222	13,356	12,344
Income (loss) before income taxes	605	185	1,844	(563)
PROVISION FOR INCOME TAXES (BENEFIT)	(13)	(91)	104	(623)
Net income	618	276	1,740	60
Deductions for amounts not available to common shareholders:				
Dividends declared or accumulated on preferred stock	172	172	517	517
Net accretion of discount on preferred stock	34	33	101	99
Net income (loss) available to common shareholders	$ 412	$ 71	$ 1,122	$ (556)
INCOME (LOSS) PER COMMON SHARE				
BASIC	$ 0.06	$ 0.01	$ 0.16	$ (0.08)
DILUTED	$ 0.06	$ 0.01	$ 0.16	$ (0.08)
WEIGHTED AVERAGE COMMON SHARES				
BASIC	7,015,396	7,003,063	7,007,174	7,003,063
DILUTED	7,051,689	7,003,063	7,046,675	7,003,063
CASH DIVIDENDS PAID PER COMMON SHARE	$ 0.00	$ 0.00	$ 0.00	$ 0.00

See Notes to Unaudited Consolidated Financial Statements which are an integral part of these statements.

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PEOPLES BANCORPORATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

(Dollars in thousands)

(Unaudited)

	Preferred Stock Series T		Preferred Stock Series W		Common Stock		Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income	Total Share-holders Equity
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance, December 31, 2009	12,660	$ 11,991	633	$ 697	7,003,063	$ 7,774	$ 41,658	$ (9,702)	$ 2,025	$ 54,443
Net income								60		60
Other comprehensive Income, net of tax:										
Unrealized holding gains on securities available for sale, net of related tax									200	200
Comprehensive income										260
Cash dividends on preferred stock								(517)		(517)
Accretion (amortization) of preferred stock		111		(12)				(99)		
Stock-based compensation							31			31
Balance, September 30, 2010	12,660	$ 12,102	633	$ 685	7,003,063	$ 7,774	$ 41,689	$ (10,258)	$ 2,225	$ 54,217
Balance, December 31, 2010	12,660	$ 12,139	633	$ 682	7,003,063	$ 7,774	$ 41,701	$ (10,142)	$ 144	$ 52,298
Net income								1,740		1,740
Other comprehensive Income, net of tax:										
Unrealized holding gains on securities available for sale, net of related tax									4,738	4,738
Comprehensive income										6,478
Employee stock option award					18,500	20	7			27
Cash dividends on preferred stock								(517)		(517)
Accretion (amortization) of preferred stock		112		(11)				(101)		
Stock-based compensation							21			21
Balance, September 30, 2011	12,660	$ 12,251	633	$ 671	7,021,563	$ 7,794	$ 41,729	$ (9,020)	$ 4,882	$ 58,307

See Notes to Unaudited Consolidated Financial Statements which are an integral part of these statements.

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PEOPLES BANCORPORATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

	Nine months Ended September 30,	
	2011	**2010**
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 1,740	$ 60
Adjustments to reconcile net income to net cash provided by operating activities:		
(Gain) loss from trading assets	(164)	76
Gain on sale of securities available for sale	(330)	(964)
(Gain) loss on sale of other real estate	(63)	18
Provision for loan losses	2,743	6,110
Depreciation and amortization	606	648
Amortization and accretion (net) of premiums and discounts on securities	610	293
Stock-based compensation	21	31
Decrease (increase) in accrued interest receivable	(67)	72
Increase in other assets	(44)	(68)
Decrease in accrued interest payable	(392)	(331)
Increase in other liabilities	1,290	573
Net cash provided by operating activities	5,950	6,518
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of securities available for sale	(64,850)	(57,615)
Proceeds from principal pay-downs on securities available for sale	16,816	14,812
Proceeds from the maturities and calls of securities available for sale	514	2,000
Proceeds from the maturities and calls of securities held to maturity	3,978	595
Proceeds from the sale of securities available for sale	10,472	16,968
Increase in cash surrender value of life insurance	(356)	(364)
Proceeds from the sale of other real estate owned	3,470	4,492
Net decrease in loans	26,014	8,613
Write down of assets acquired in settlement of loans	1,388	124
Purchase of premises and equipment	(226)	(104)
Net cash used in investing activities	(2,780)	(10,479)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net decrease in deposits	(2,423)	(10,999)
Net increase in securities sold under repurchase agreements	302	71
Net decrease in federal funds purchased		(399)
Proceeds from restricted employee stock grant	27	
Cash dividends paid on preferred stock	(517)	(517)
Net cash provided by financing activities	(2,611)	(11,844)
Net increase (decrease) in cash and cash equivalents	559	(15,805)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	17,244	26,874
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 17,803	$ 11,069

CASH PAID FOR		
Interest	$ 4,581	$ 5,971
Income taxes	$ 605	$ 322
NON-CASH TRANSACTIONS		
Change in unrealized gain on available for sale securities	$ 7,182	$ 200
Loans transferred to other real estate	$ 7,237	$ 7,840

See Notes to Unaudited Consolidated Financial Statements which are an integral part of these statements.

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PEOPLES BANCORPORATION, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements include the accounts of Peoples Bancorporation, Inc., (the "Company') and its wholly owned subsidiaries, The Peoples National Bank, Bank of Anderson, N. A., and Seneca National Bank (collectively referred to as the "Banks"). All significant intercompany balances and transactions have been eliminated. The Banks operate under individual national bank charters and provide full banking services to customers. The Banks are subject to regulation by the Office of the Comptroller of the Currency ("OCC"). The Company is subject to regulation by the Federal Reserve Board ("FRB").

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of these policies is included in the 2010 Annual Report on Form 10-K.

FORMAL AGREEMENTS WITH THE OFFICE OF THE COMPTROLLER OF THE CURRENCY

Bank of Anderson, N.A. and The Peoples National Bank have entered into Formal Agreements ("Agreements") with their primary regulator, the OCC. Bank of Anderson, N.A. entered into its agreement on October 15, 2008, and The Peoples National Bank entered into its agreement on August 16, 2010. The agreements seek to enhance the Banks' existing practices and procedures in the areas of credit risk management, credit underwriting, liquidity, and funds management. The Boards of Directors of each bank and management have aggressively worked to address each article set forth in the agreements. The Banks believe they have implemented the practices and procedures necessary to correct all noted deficiencies, and they appropriately responded to all of the requirements of the agreements. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for more discussion on the Agreements.

STATEMENT OF CASH FLOWS

Cash and cash equivalents includes currency and coin, cash items in process of collection, amounts due from banks and federal funds sold. All have maturities of three months or less.

NET INCOME (LOSS) PER COMMON SHARE

Net income (loss) per common share is computed and presented in accordance with the related topic in the Financial Accounts Standards Board ("FASB") Accounting Standards Codification ("ASC"). The assumed conversion of stock options creates the difference between basic and diluted net income per share. Income per common share is calculated by dividing net income (loss) available to common shareholders by the weighted average number of common shares outstanding for each period presented. Stock options on 136,510 and 155,147 shares of the Company's common stock are excluded from the computation of net income (loss) per diluted share at September 30, 2011 and September 30,

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PEOPLES BANCORPORATION, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2010, respectively, because their inclusion would be anti-dilutive due to their exercise prices being greater that the market value of shares and the net loss in the 2010 period, respectively.

	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Net income (loss) available to common shareholders (in thousands)	$ 1,122	$ (556)
Weighted average shares outstanding:		
Basic	7,007,174	7,003,063
Effect of dilutive securities:		
Stock options	39,501	
Diluted	7,046,675	7,003,063
Income (loss) per common share:		
Basic	$ 0.16	$ (0.08)
Diluted	$ 0.16	$ (0.08)

INVESTMENT SECURITIES

At the time of purchase of a security, the Company designates the security as available for sale or held to maturity, depending upon investment objectives, liquidity needs and intent. Securities held to maturity are stated at cost, adjusted for premium amortized or discount accreted, if any. The Company has the positive intent and ability to hold such securities to maturity. Securities available for sale are stated at estimated fair value. Unrealized gains and losses are excluded from income and reported net of tax as accumulated other comprehensive income as a separate component of shareholders' equity until realized. Interest earned on investment securities is included in interest income. Realized gains and losses on the sale of securities are reported in the consolidated statements of income (loss) and determined using the adjusted cost of the specific security sold. Trading securities are carried at market value and changes in market value are recorded as realized gains or losses at each period end.

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PEOPLES BANCORPORATION, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Securities are summarized as follows as of September 30, 2011 (tabular amounts in thousands):

	Amortized Cost	Unrealized holding Gains	Unrealized holding Losses	Fair value
TRADING ASSETS:				
EQUITY SECURITIES	$ 240	$	$	$ 240
SECURITIES AVAILABLE FOR SALE:				
GOVERNMENT SPONSORED ENTERPRISE SECURITIES				
Maturing after one year but within five years	$ 864	$ 46	$	$ 910
Maturing after five years but within ten years	1,596	131		1,727
	2,460	177		2,637
MORTGAGE BACKED SECURITIES				
Maturing within one year	155	9		164
Maturing after one year but within five years	48,519	1,958	8	50,469
Maturing after five years but within ten years	18,664	659	34	19,289
Maturing after ten years	27,040	1,016		28,056
	94,378	3,642	42	97,978
OBLIGATIONS OF STATES AND POLITICAL SUBDIVISIONS				
Maturing after one year but within five years	1,297	111		1,408
Maturing after five years but within ten years	15,944	996		16,940
Maturing after ten years	53,019	2,522	8	55,533
	70,260	3,629	8	73,881
OTHER SECURITIES				
Maturing after ten years	89			89
Total securities available for sale	$ 167,187	$ 7,448	$ 50	$ 174,585
SECURITIES HELD TO MATURITY:				
OBLIGATIONS OF STATES AND POLITICAL SUBDIVISIONS				
Maturing within one year	$ 751	$ 7	$	$ 758
Maturing after one year but within five years	1,499	68		1,567
Maturing after five years but within ten years	1,741	105		1,846
Maturing after ten years	535	98		633
Total securities held to maturity	$ 4,526	$ 278	$	$ 4,804

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PEOPLES BANCORPORATION, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Securities are summarized as follows as of December 31, 2010 (tabular amounts in thousands):

	Amortized Cost	Unrealized holding Gains	Losses	Fair value
TRADING ASSETS:				
EQUITY SECURITIES	$ 76	$	$	$ 76
SECURITIES AVAILABLE FOR SALE:				
GOVERNMENT SPONSORED ENTERPRISE SECURITIES				
Maturing after five years but within ten years	$ 1,588	$ 138	$	$ 1,726
MORTGAGE BACKED SECURITIES				
Maturing after one year but within five years	61,031	1,345	406	61,970
Maturing after five years but within ten years	11,832	75	223	11,684
Maturing after ten years	22,797	87	632	22,252
	95,660	1,507	1,261	95,906
OBLIGATIONS OF STATES AND POLITICAL SUBDIVISIONS				
Maturing after one year but within five years	1,297	83		1,380
Maturing after five years but within ten years	10,575	108	108	10,575
Maturing after ten years	20,713	116	343	20,486
	32,585	307	451	32,441
OTHER SECURITIES				
Maturing after ten years	601		24	577
Total securities available for sale	$ 130,434	$ 1,952	$ 1,736	$ 130,650
SECURITIES HELD TO MATURITY:				
OBLIGATIONS OF STATES AND POLITICAL SUBDIVISIONS				
Maturing within one year	$ 1,546	$ 17	$	$ 1,563
Maturing after one year but within five years	1,918	61		1,979
Maturing after five years but within ten years	3,271	55		3,326
Maturing after ten years	514		7	507
Total securities held to maturity	$ 7,249	$ 133	$ 7	$ 7,375

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PEOPLES BANCORPORATION, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Securities are summarized as follows as of September 30, 2010 (tabular amounts in thousands):

	Amortized Cost	Unrealized holding Gains	Unrealized holding Losses	Fair value
TRADING ASSETS:				
EQUITY SECURITIES	$ 52	$	$	$ 52
SECURITIES AVAILABLE FOR SALE:				
GOVERNMENT SPONSORED ENTERPRISE SECURITIES				
Maturing after five years but within ten years	$ 7,186	$ 293	$	$ 7,479
MORTGAGE BACKED SECURITIES				
Maturing within one year	528	35		563
Maturing after one year but within five years	47,281	1,295	139	48,437
Maturing after five years but within ten years	19,130	325	25	19,430
Maturing after ten years	19,598	339	58	19,879
	86,537	1,994	222	88,309
OBLIGATIONS OF STATES AND POLITICAL SUBDIVISIONS				
Maturing after one year but within five years	895	70		965
Maturing after five years but within ten years	9,497	412	1	9,908
Maturing after ten years	20,200	873	43	21,030
	30,592	1,355	44	31,903
OTHER SECURITIES				
Maturing after ten years	602		6	596
Total securities available for sale	$ 124,917	$ 3,642	$ 272	$ 128,287
SECURITIES HELD TO MATURITY:				
OBLIGATIONS OF STATES AND POLITICAL SUBDIVISIONS				
Maturing within one year	$ 1,397	$ 25	$	$ 1,422
Maturing after one year but within five years	2,069	84		2,153
Maturing after five years but within ten years	3,205	94		3,299
Maturing after ten years	1,144	102		1,246
Total securities held to maturity	$ 7,815	$ 305	$	$ 8,120

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PEOPLES BANCORPORATION, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table shows gross unrealized losses and fair value, aggregated by investment category, and length of time that individual securities have been in a continuous unrealized loss position, at September 30, 2011:

Securities Available for Sale (tabular amounts in thousands):

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mortgage backed securities	$ 3,350	$ 34	$ 857	$ 8	$ 4,207	$ 42
States and political subdivisions	602	8			602	8
Total	$ 3,952	$ 42	$ 857	$ 8	$ 4,809	$ 50

Two individual securities available for sale were in a continuous loss position for twelve months or more.

The following table shows gross unrealized losses and fair value, aggregated by investment category, and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2010.

Securities Available for Sale (tabular amounts in thousands):

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mortgage backed securities	$ 52,426	$ 1,260	$ 602	$ 1	$ 53,028	$ 1,261
Other securities	488	24			488	24
States and political subdivisions	15,074	436	136	15	15,210	451
Total	$ 67,988	$ 1,720	$ 738	$ 16	$ 68,726	$ 1,736

Securities Held to Maturity (tabular amounts in thousands):

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
States and political subdivisions	$ 507	$ 7	$	$	$ 507	$ 7
Total	$ 507	$ 7	$	$	$ 507	$ 7

Three individual securities available for sale were in a continuous loss position for twelve months or more.

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PEOPLES BANCORPORATION, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table shows gross unrealized losses and fair value, aggregated by investment category, and length of time that individual securities have been in a continuous unrealized loss position, at September 30, 2010:

Securities Available for Sale (tabular amounts in thousands):

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mortgage backed securities	$ 23,623	$ 222	$	$	$ 23,623	$ 222
Other securities	507	6			507	6
States and political subdivisions	2,586	44			2,586	44
Total	$ 26,716	$ 272	$	$	$ 26,716	$ 272

No individual security available for sale was in a continuous loss position for twelve months or more.

The Company has the ability and intent to hold these securities until such time as the value recovers or the securities mature. Based on industry analyst reports and credit ratings, the Company believes that the deterioration in value is attributable to changes in market interest rates and not in the credit quality of the issuers, and therefore these losses are not considered to be other-than-temporary.

OTHER INVESTMENTS, at cost

The Banks, as member institutions, are required to own certain stock investments in the Federal Home Loan Bank of Atlanta and the Federal Reserve Bank. These investments are carried at cost. No ready market exists for these stocks and they have no quoted market values.

LOANS

Loans are summarized as follows (tabular amounts in thousands):

	September 30, 2011	December 31, 2010	September 30, 2010
Commercial	$ 24,857	$ 28,362	$ 28,006
Real Estate:			
Residential real estate	100,375	106,759	109,025
Commercial real estate	170,170	192,351	201,770
Commercial construction	2,790	6,152	5,737
Consumer and other	6,378	7,089	7,359
	304,570	340,713	351,897
Less allowance for loan losses	(7,769)	(7,919)	(8,317)
	$ 296,801	$ 332,794	$ 343,580

The Company, through the Banks, makes loans to individuals and small- to medium-sized businesses for various personal and commercial purposes, primarily in South Carolina. Credit concentrations can exist in relation to individual borrowers or groups of borrowers, types of collateral, types of industries, loan products, or geographic regions of the country. Credit risk associated with these concentrations could arise when a significant amount of loans, with similar characteristics, are simultaneously impacted by changes in economic or other conditions that cause their probability of

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PEOPLES BANCORPORATION, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

repayment to be adversely affected. The Company regularly monitors its credit concentrations. The Company does not have a significant concentration in any individual borrower. No significant portion of its loans is concentrated within a single industry or group of related industries and the Company does not have any foreign loans. The Company does, however, have a geographic concentration of customers and borrowers because most of its customers and borrowers are located in the Upstate area of South Carolina, and most of the real estate securing mortgage loans is located in this area. There are no material seasonal factors that would have an adverse effect on the Company.

The composition of gross loans by rate type is as follows (tabular amounts in thousands):

	September 30, 2011	December 31, 2010	September 30, 2010
Variable rate loans	$ 90,809	$ 107,250	$ 111,470
Fixed rate loans	213,761	233,463	240,427
	$ 304,570	$ 340,713	$ 351,897

Changes in the allowance for loan losses were as follows (tabular amounts in thousands):

	September 30, 2011	December 31, 2010	September 30, 2010
BALANCE, BEGINNING OF PERIOD	$ 7,919	$ 7,431	$ 7,431
Provision for loan losses	2,743	6,625	6,110
Loans charged off	(3,007)	(6,572)	(5,588)
Loans recovered	114	435	364
BALANCE, END OF PERIOD	$ 7,769	$ 7,919	$ 8,317

The following table reflects charge-offs and recoveries per loan category (tabular amounts in thousands):

	September 30, 2011		December 31, 2010		September 30, 2010	
	Charge-offs	Recoveries	Charge-offs	Recoveries	Charge-offs	Recoveries
Commercial	$ 266	$ 12	$ 1,866	$ 329	$ 1,353	$ 315
Residential real estate	1,333	1	1,160	77	856	26
Commercial real estate	420	8	938	6	937	3
Commercial Construction	925	89	2,589	5	2,426	4
Consumer and other	63	4	19	18	16	16
Total	$ 3,007	$ 114	$ 6,572	$ 435	$ 5,588	$ 364

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PEOPLES BANCORPORATION, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The allocation of the allowance for loan losses by portfolio segment at September 30, 2011 was as follows (tabular amounts in thousands):

	Commercial	Residential Real Estate	Commercial Real Estate	Commercial Construction	Consumer and Other	Total
Impaired Loans	$	$ 81	$ 93	$	$ 22	$ 196
General Reserve	1,167	967	4,713	381	345	7,573
Total	$ 1,167	$ 1,048	$ 4,806	$ 381	$ 367	$ 7,769
Loans individually evaluated for impairment	$ 42	$ 373	$ 10,675	$ 482	$ 44	$ 11,616
Loans collectively evaluated for impairment	24,784	100,002	159,495	2,308	6,365	292,954
Total	$ 24,826	$ 100,375	$ 170,170	$ 2,790	$ 6,409	$ 304,570

The allocation of the allowance for loan losses by portfolio segment at December 31, 2010 was as follows (tabular amounts in thousands):

	Commercial	Residential Real Estate	Commercial Real Estate	Commercial Construction	Consumer and Other	Total
Impaired Loans	$	$ 186	$ 951	$	$	$ 1,137
General Reserve	513	900	4,677	527	165	6,782
Total	$ 513	$ 1,086	$ 5,628	$ 527	$ 165	$ 7,919
Loans individually evaluated for impairment	$ 483	$ 3,916	$ 11,203	$	$ 17	$ 15,619
Loans collectively evaluated for impairment	27,879	102,843	181,148	6,152	7,072	325,094
Total	$ 28,362	$ 106,759	$ 192,351	$ 6,152	$ 7,089	$ 340,713

Impaired loans were as follows:

The following table presents loans individually evaluated for impairment by class of loans as of September 30, 2011 (tabular amounts in thousands):

	Impaired Loans With Allowance			Impaired Loans With No Allowance	
	Unpaid Principal	Recorded Investment	Allowance for Loan Losses Allocated	Unpaid Principal	Recorded Investment
Commercial	$	$	$	$ 42	$ 42
Real Estate:					
Residential real estate	81	81	81	319	292
Commercial real estate	704	704	93	12,085	9,971
Commercial construction					482
Consumer and other	22	22	22		22
Total	$ 807	$ 807	$ 196	$ 12,446	$ 10,809

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PEOPLES BANCORPORATION, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table presents loans individually evaluated for impairment by class of loans as of December 31, 2010 (tabular amounts in thousands):

	Impaired Loans With Allowance			Impaired Loans With No Allowance	
	Unpaid Principal	Recorded Investment	Allowance for Loan Losses Allocated	Unpaid Principal	Recorded Investment
Commercial	$	$	$	$ 483	$ 483
Real Estate:					
Residential real estate	740	740	186	2,661	3,176
Commercial real estate	5,318	4,505	951	6,158	6,698
Commercial construction				1,047	
Consumer and other				25	17
Total	$ 6,058	$ 5,245	$ 1,137	$ 10,374	$ 10,374

The following is a summary of information pertaining to impaired loans and non-accrual loans at September 30, 2010 (tabular amounts in thousands):

	2010
Impaired loans without valuation allowance	$ 10,138
Impaired loans with a valuation allowance	6,313
Total impaired loans	$ 16,451
Valuation allowance related to impaired loans	$ 1,539
Total non-accrual loans	$ 18,189
Total loans past due ninety days or more and still accruing	

Non-performing loans and impaired loans are defined differently. As such, some loans may be included in both categories, whereas other loans may only be included in one category.

Interest payments received on impaired loans are recorded as interest income unless collection of the remaining recorded investment is doubtful, in which case payments received are recorded as reductions to principal. Subsequent payments on non-accrual loans are recorded as reductions of principal, and interest income is recorded only after principal recovery is reasonably assured. Non-accrual loans are returned to accrual status when, in the opinion of management, the financial position of the borrower indicates there is no longer any reasonable doubt as to the timely collection of interest or principal. The Company requires a period of satisfactory performance of not less than six months before returning a non-accrual loan to accrual status. These policies apply to each of the Company's loan classes.

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PEOPLES BANCORPORATION, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Delinquent Loans at September 30, 2011, were as follows (tabular amounts in thousands):

	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Total Current	Total Loans
Commercial	$	$	$	$	$ 24,857	$ 24,857
Real Estate:						
Residential real estate	155	55	19	229	100,146	100,375
Commercial real estate	986	1,564	3,680	6,230	163,940	170,170
Commercial construction			1,246	1,246	1,544	2,790
Consumer and other	41	2	1	44	6,334	6,378
Total	$ 1,182	$ 1,621	$ 4,946	$ 7,749	$ 296,821	$ 304,570

Delinquent Loans at December 31, 2010, were as follows (tabular amounts in thousands):

	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Total Current	Total Loans
Commercial	$ 10	$	$ 483	$ 493	$ 27,869	$ 28,362
Real Estate:						
Residential real estate	1,842	70	612	2,524	104,235	106,759
Commercial real estate	1,330	1,785	6,570	9,685	182,666	192,351
Commercial construction			728	728	5,424	6,152
Consumer and other	25	174		199	6,890	7,089
Total	$ 3,207	$ 2,029	$ 8,393	$ 13,629	$ 327,084	$ 340,713

Credit Quality Indicators

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company analyzes loans individually by classifying loans as to credit risk. Loans classified as substandard or special mention are reviewed monthly by the Company for further deterioration or improvement to determine if appropriately classified. All commercial loans greater than $50,000 are reviewed when originated and a sample of smaller consumer relationships are reviewed after origination. Larger relationships are reviewed on an annual basis or more frequently if needed. In addition, during the renewal process of any loans, as well as if a loan becomes past due, the Company will evaluate the loan grade.

Loans excluded from the scope of the review process above are generally classified as pass credits until: (a) they become past due; (b) management becomes aware of deterioration in the credit worthiness of the borrower; or (c) the borrower contacts one of the Banks for a modification. In these circumstances, the loan is specifically evaluated for potential classification to special mention or substandard, or may even be charged-off. The following definitions are used for risk ratings:

Special Mention. Loans classified as special mention have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loans or of the Bank's credit position at some future date.

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PEOPLES BANCORPORATION, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Substandard. Loans classified as substandard are inadequately protected by the current net worth and payment capacity of the obligors or of the collateral pledged, if any. Loans so classified have well-defined weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.

Doubtful. Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, condition, and values, highly questionable and improbable.

The tables below set forth total loans and the amounts of loans by type in each of these risk categories (tabular amounts in thousands):

	Total	Pass Credits	Special Mention	Substandard	Doubtful
September 30, 2011					
Commercial	$ 24,857	$ 21,348	$ 309	$ 3,200	$
Real Estate:					
Residential real estate	100,375	97,477	2,004	894	
Commercial real estate	170,170	131,224	14,672	24,274	
Commercial construction	2,790	1,932	376	482	
Consumer and other	6,378	6,310	4	64	
Total	$ 304,570	$ 258,291	$ 17,365	$ 28,914	$

	Total	Pass Credits	Special Mention	Substandard	Doubtful
December 31, 2010					
Commercial	$ 28,362	$ 25,961	$ 1,064	$ 1,335	$ 2
Real Estate:					
Residential real estate	106,759	102,778	1,729	2,252	
Commercial real estate	192,351	140,917	17,851	33,583	
Commercial construction	6,152	3,453	1,052	1,647	
Consumer and other	7,089	7,071	18		
Total	$ 340,713	$ 280,180	$ 21,714	$ 38,817	$ 2

Troubled Debt Restructurings

In the course of working with borrowers, the Banks may choose to restructure the contractual terms of certain loans. In this scenario, the Banks attempt to work out an alternative payment schedule with the borrower in order to optimize collectibility of the loan. Any loans that are modified are reviewed by the Banks to identify if a troubled debt restructuring ("TDR") has occurred. This occurs when, for economic or legal reasons related to a borrower's financial difficulties, the Bank grants a concession to the borrower that it would not otherwise consider. Terms may be modified to fit the ability of the borrower to repay in line with the borrower's current financial status, and the restructuring of the loan may include the transfer of assets from the borrower to satisfy the debt, a modification of loan terms, or a combination of the two. If such efforts by the Bank do not result in a satisfactory arrangement, the loan is referred to legal counsel, at which time collection and/or foreclosure proceedings are initiated. At any time prior to a sale of property at foreclosure, the Bank may terminate foreclosure proceedings if the borrower is able to work out a satisfactory payment plan.

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PEOPLES BANCORPORATION, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As a result of adopting the amendments of Accounting Standards Update ("ASU") 201-02, the Banks reassessed all restructurings occurring since January 1, 2011 to determine whether they are considered TDRs under the amended guidance. The Banks identified as TDRs certain loans for which the allowance for loan losses had previously been measured under a general allowance methodology. Upon identifying those loans as TDRs, the Banks identified them as impaired under the guidance in ASC 310-10-35. The amendments in ASU 2011-02 require prospective application of the impairment measurement guidance in ASC 310-10-35 for those loans newly identified as impaired. At the end of the first interim period of adoption (September 30, 2011), the recorded investment in loans for which the allowance was previously measured under general allowance methodology and are now impaired under ASC 310-10-35 was $1,143,000, and the allowance for loan losses associated with those loans, on the basis of a current evaluation of loss was $32,000.

Troubled Debt Restructurings:

	For the three months ended September 30, 2011			For the nine months ended September 30, 2011		
	Number Of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number Of Contacts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial	1	$ 78,350	$ 78,350	2	$ 122,545	$ 122,545
Real Estate:						
Residential real estate	2	453,626	453,626	2	453,626	453,626
Commercial real estate	4	351,526	349,526	7	747,091	446,832
Commercial construction	1	261,210	261,210	1	261,210	261,210
Consumer and other				1	21,953	21,953
Total	8	$ 1,144,712	$ 1,142,712	13	$ 1,606,425	$ 1,306,166

During the nine months ended September 30, 2011, the Banks modified thirteen loans that were considered to be TDRs. The terms for ten of these loans were extended and the interest rate was lowered for three of these loans.

Troubled debt restructurings that occurred and subsequently defaulted during the period (dollar amounts in thousands):

	Three months ended September 30, 2011		Nine months ended September 30, 2011	
	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment
Commercial		$		$
Real Estate:				
Residential real estate				
Commercial real estate	3	781,582	3	781,582
Commercial construction				
Consumer and other				
Total	3	$ 781,582	3	$ 781,582

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PEOPLES BANCORPORATION, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

ASSETS ACQUIRED IN SETTLEMENT OF LOANS

The following table summarizes the composition of assets acquired in settlement of loans as of the dates noted (dollar amounts in thousands):

	Nine Months Ended September 30, 2011		Year Ended December 31, 2010		Nine Months Ended September 30, 2010	
	Amount	**#**	**Amount**	**#**	**Amount**	**#**
Construction and land development	$ 10,393	38	$ 9,964	38	$ 11,919	50
Residential real estate	4,112	13	2,870	13	2,067	5
Commercial real estate	1,218	6	510	3	728	9
Total assets acquired in settlement of loans	$ 15,723	57	$ 13,344	54	$ 14,714	64

The following summarizes activity with respect to assets acquired in settlement of loans (tabular amounts in thousands):

	Nine Months Ended September 30, 2011	Year Ended December 31, 2010	Nine Months Ended September 30, 2010
BALANCE, BEGINNING OF PERIOD	$ 13,344	$ 11,490	$ 11,490
Additions foreclosures	7,237	9,943	7,840
Sales	(3,470)	(7,017)	(4,492)
Write downs	(1,388)	(522)	(124)
Valuation reserve		(550)	
BALANCE, END OF PERIOD	$ 15,723	$ 13,344	$