

ServisFirst Bancshares, Inc.
Form 10-Q
August 03, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one)

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2010

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

For the transition period from _____ to _____

Commission file number 000-53149

SERVISFIRST BANCSHARES, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

26-0734029
(I.R.S. Employer
Identification No.)

(205) 949-0302
(Registrant's Telephone Number, Including Area Code)

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

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

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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

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

Class	Outstanding as of July 30, 2010
Common stock, \$.001 par value	5,513,482

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EX-31.01 SECTION 906, CERTIFICATION OF THE CFO

PART 1. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

SERVISFIRST BANCSHARES, INC.
 CONSOLIDATED BALANCE SHEETS JUNE 30, 2010 AND DECEMBER 31, 2009
 (In thousands, except share and per share amounts)

	June 30, 2010 (Unaudited)	December 31, 2009 (Audited)
ASSETS		
Cash and due from banks	\$ 26,570	\$ 26,982
Interest-bearing balances due from depository institutions	100,532	48,544
Federal funds sold	148	680
Cash and cash equivalents	127,250	76,206
Debt securities:		
Available for sale	234,808	255,453
Held to maturity	1,659	645
Restricted equity securities	3,510	3,241
Mortgage loans held for sale	4,462	6,202
Loans	1,288,410	1,207,084
Less allowance for loan losses	(15,713)	(14,737)
Loans, net	1,272,697	1,192,347
Premises and equipment, net	4,701	5,088
Accrued interest and dividends receivable	6,144	6,200
Deferred tax assets	4,104	4,872
Other real estate owned	10,773	12,525
Other assets	11,776	10,718
Total assets	\$ 1,681,884	\$ 1,573,497
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Noninterest-bearing	\$ 188,657	\$ 211,307
Interest-bearing	1,326,247	1,221,048
Total deposits	1,514,904	1,432,355
Other borrowings	24,929	24,922
Trust preferred securities	30,349	15,228
Accrued interest payable	887	1,026
Other liabilities	1,769	2,344
Total liabilities	1,572,838	1,475,875
Stockholders' equity:		
Common stock, par value \$.001 per share; 15,000,000 shares authorized; 5,513,482 shares issued and outstanding	6	6
Preferred stock, par value \$.001 per share; 1,000,000 shares authorized; no shares outstanding	-	-
Additional paid-in capital	75,392	75,078
Retained earnings	28,999	20,965

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Accumulated other comprehensive income	4,649	1,573
Total stockholders' equity	109,046	97,622
Total liabilities and shareholders' equity	\$ 1,681,884	\$ 1,573,497

See Notes to Consolidated Financial Statements.

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SERVISFIRST BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(In thousands, except share and per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Interest income:				
Interest and fees on loans	\$ 16,750	\$ 13,583	\$ 32,954	\$ 26,092
Taxable securities	1,670	1,004	3,422	2,111
Nontaxable securities	544	343	1,068	620
Federal funds sold	16	47	18	69
Other interest and dividends	16	2	36	43
Total interest income	18,996	14,979	37,498	28,935
Interest expense:				
Deposits	2,829	3,967	5,682	8,360
Borrowed funds	859	511	1,602	1,029
Total interest expense	3,688	4,478	7,284	9,389
Net interest income	15,308	10,501	30,214	19,546
Provision for loan losses	2,537	2,608	5,075	5,068
Net interest income after provision for loan losses	12,771	7,893	25,139	14,478
Noninterest income:				
Service charges on deposit accounts	588	376	1,154	732
Securities gains	15	-	53	-
Other operating income	401	906	929	1,470
Total noninterest income	1,004	1,282	2,136	2,202
Noninterest expenses:				
Salaries and employee benefits	3,147	3,590	6,629	6,956
Equipment and occupancy expense	774	622	1,554	1,210
Professional services	205	216	405	429
Other operating expenses	3,435	2,454	6,405	4,720
Total noninterest expenses	7,561	6,882	14,993	13,315
Income before income taxes	6,214	2,293	12,282	3,365
Provision for income taxes	2,193	734	4,248	1,086
Net income	\$ 4,021	\$ 1,559	\$ 8,034	\$ 2,279
Basic earnings per share	\$ 0.73	\$ 0.28	\$ 1.46	\$ 0.42
Diluted earnings per share	\$ 0.65	\$ 0.27	\$ 1.33	\$ 0.40

See Notes to Consolidated Financial Statements.

SERVISFIRST BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(In thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Net income	\$ 4,021	\$ 1,559	\$ 8,034	\$ 2,279
Other comprehensive income, net of tax:				
Unrealized holding gains (losses) arising during period from securities available for sale, net of tax (benefit) of \$1,557 and \$1,693 for the three and six months ended June 30, 2010, respectively, and \$(45) and \$26 for the three and six months ended June 30, 2009	2,821	(88)	3,110	50
Reclassification adjustment for net gains on sale of securities in net income, net of tax of \$6 and \$19 for the three and six months ended June 30, 2010, respectively	(9)	-	(34)	-
Reclassification adjustment for net gains realized on derivatives in net income, net of tax of \$46 and \$93 for the three and six months ended June 30, 2009	-	(90)	-	(180)
Other comprehensive income (loss), net of tax	2,812	(178)	3,076	(130)
Comprehensive income	\$ 6,833	\$ 1,381	\$ 11,110	\$ 2,149

See Notes to Consolidated Financial Statements

SERVISFIRST BANCSHARES, INC.
 CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
 SIX MONTHS ENDED JUNE 30, 2010

(Unaudited)

(In thousands, except share amounts)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
Balance, December 31, 2009	6	75,078	20,965	1,573	97,622
Other comprehensive income	-	-	-	3,076	3,076
Stock-based compensation expense	-	314	-	-	314
Net income	-	-	8,034	-	8,034
Balance, June 30, 2010	\$ 6	\$ 75,392	\$ 28,999	\$ 4,649	\$ 109,046

See Notes to Consolidated Financial Statements

SERVISFIRST BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2010 AND 2009
(In thousands) (Unaudited)

	2010	2009
OPERATING ACTIVITIES		
Net income	\$ 8,034	\$ 2,279
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Deferred tax benefit	(925)	(1,109)
Provision for loan losses	5,075	5,068
Depreciation and amortization	537	552
Net amortization (accretion) of investments	331	(248)
Amortized gain on derivative	-	(272)
Decrease (increase) in accrued interest and dividends receivable	56	(86)
Stock compensation expense	314	395
Decrease in accrued interest payable	(139)	(209)
Proceeds from sale of mortgage loans held for sale	60,934	117,090
Originations of mortgage loans held for sale	(59,981)	(123,654)
Gain on sale of securities available for sale	(53)	-
Net loss on sale of other real estate owned	175	683
Decrease in special prepaid FDIC insurance assessments	1,462	-
Net change in other assets, liabilities, and other operating activities	(2,703)	(730)
Net cash provided by (used in) operating activities	13,117	(241)
INVESTMENT ACTIVITIES		
Purchase of securities available for sale	(20,865)	(18,351)
Proceeds from maturities, calls and paydowns of securities available for sale	16,002	9,199
Purchase of securities held to maturity	(1,014)	-
Increase in loans	(88,814)	(147,290)
Purchase of premises and equipment	(150)	(1,021)
Purchase of restricted equity securities	(269)	(582)
Proceeds from sale of securities available for sale	29,999	-
Proceeds from sale of other real estate owned and repossessions	5,514	4,191
Additions to other real estate owned	(75)	-
Net cash used in investing activities	(59,672)	(153,854)
FINANCING ACTIVITIES		
Net (decrease) increase in noninterest-bearing deposits	(22,650)	17,710
Net increase in interest-bearing deposits	105,199	151,456
Proceeds from issuance of trust preferred securities	15,050	-
Proceeds from other borrowings	-	5,000
Proceeds from sale of stock, net	-	3,479
Net cash provided by financing activities	97,599	177,645
Net increase in cash and cash equivalents	51,044	23,550
Cash and cash equivalents at beginning of year	76,206	72,918
Cash and cash equivalents at end of year	\$ 127,250	\$ 96,468

SUPPLEMENTAL DISCLOSURE

Cash paid for:

Interest	\$ 7,423	\$ 9,578
Income taxes	5,058	2,310

NONCASH TRANSACTIONS

Transfers of loans from held for sale to held for investment	\$ 787	\$ 1,861
Other real estate acquired in settlement of loans	4,671	3,811

See Notes to Consolidated Financial Statements.

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SERVISFIRST BANCSHARES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2010
(Unaudited)

NOTE 1 - GENERAL

The accompanying condensed consolidated financial statements in this report have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission, including Regulation S-X and the instructions for Form 10-Q, and have not been audited. These consolidated financial statements do not include all of the information and footnotes required by U. S. generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments necessary to present fairly the consolidated financial position and the consolidated results of operations for the interim periods have been made. All such adjustments are of a normal nature. The consolidated results of operations are not necessarily indicative of the consolidated results of operations which ServisFirst Bancshares, Inc. (the "Company") may achieve for future interim periods or the entire year. For further information, refer to the consolidated financial statements and footnotes included in the Company's Form 10-K for the year ended December 31, 2009.

All reported amounts are in thousands except share and per share data.

Certain reclassifications have been made in the December 31, 2009 Consolidated Balance Sheet to conform to classifications used in 2010. There was no affect on total assets, liabilities or stockholders' equity.

NOTE 2 - CASH AND CASH FLOWS

Cash on hand, cash items in process of collection, amounts due from banks, and Federal funds sold are included in cash and cash equivalents.

NOTE 3 - EARNINGS PER COMMON SHARE

Basic earnings per common share are computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per common share include the dilutive effect of additional potential common shares issuable under stock options and warrants, as well as the potential common stock issuable upon possible conversion of the preferred securities described in Note 10 to the Consolidated Financial Statements.

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	Three Months Ended June		Six Months Ended June	
	30,		30,	
	2010	2009	2010	2009
	(In Thousands, Except Shares and Per Share Data)			
Earnings Per Share				
Weighted average common shares outstanding	5,513,482	5,513,482		