

ServisFirst Bancshares, Inc.
Form 10-Q
July 30, 2009

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, 2009

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 24, 2009
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. FINANCIAL STATEMENTS

SERVISFIRST BANCSHARES, INC.
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2009 AND DECEMBER 31, 2008
(In thousands)

	June 30, 2009 (Unaudited)	December 31, 2008 (Audited)
ASSETS		
Cash and due from banks	\$ 18,474	\$ 22,844
Interest-bearing balances due from depository institutions	1,016	30,774
Federal funds sold	76,978	19,300
Cash and cash equivalents	\$ 96,468	72,918
Securities available for sale	111,814	102,339
Restricted equity securities	3,241	2,659
Mortgage loans held for sale	8,023	3,320
Loans	1,111,744	968,233
Less allowance for loan losses	(13,567)	(10,602)
Loans, net	1,098,177	957,631
Premises and equipment, net	4,353	3,884
Accrued interest and dividends receivable	4,363	4,026
Deferred tax assets	4,761	3,585
Other real estate owned	9,239	10,473
Other assets	1,904	1,437
Total assets	\$ 1,342,343	\$ 1,162,272
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Noninterest-bearing	\$ 139,169	\$ 121,459
Interest-bearing	1,067,316	915,860
Total deposits	1,206,485	1,037,319
Other borrowings	24,915	20,000
Trust preferred securities	15,158	15,087
Accrued interest payable	1,071	1,280
Other liabilities	1,822	1,803
Total liabilities	1,249,451	1,075,489
Stockholders' equity:		
Common stock, par value \$.001 per share; 15,000,000 shares authorized; 5,513,482 and 5,374,022 shares issued and outstanding	6	5
Preferred stock, par value \$.001 per share; 1,000,000 shares authorized; no shares outstanding	-	-
Additional paid-in capital	74,688	70,729
Retained earnings	17,366	15,087
Accumulated other comprehensive income	832	962

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Total stockholders' equity	92,892	86,783
Total liabilities and stockholders' equity	\$ 1,342,343	\$ 1,162,272

See Notes to Consolidated Financial Statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Interest income:				
Interest and fees on loans	\$ 13,583	\$ 11,938	\$ 26,092	\$ 24,312
Taxable securities	1,004	975	2,111	1,881
Nontaxable securities	343	229	620	444
Federal funds sold	47	164	71	437
Other interest and dividends	2	35	21	102
Total interest income	14,979	13,341	28,915	27,176
Interest expense:				
Deposits	3,967	4,457	8,360	10,179
Borrowed funds	511	190	1,009	216
Total interest expense	4,478	4,647	9,369	10,395
Net interest income	10,501	8,694	19,546	16,781
Provision for loan losses	2,608	2,137	5,068	3,519
Net interest income after provision for loan losses	7,893	6,557	14,478	13,262
Noninterest income:				
Service charges on deposit accounts	376	290	732	546
Other operating income	906	405	1,470	692
Total noninterest income	1,282	695	2,202	1,238
Noninterest expenses:				
Salaries and employee benefits	3,590	2,400	6,956	5,227
Equipment and occupancy expense	622	522	1,210	1,053
Professional services	216	259	429	575
Other operating expenses	2,454	1,349	4,720	2,505
Total noninterest expenses	6,882	4,530	13,315	9,360
Income before income taxes	2,293	2,722	3,365	5,140
Provision for income taxes	734	972	1,086	1,820
Net income	\$ 1,559	\$ 1,750	\$ 2,279	\$ 3,320
Basic earnings per share	\$ 0.28	\$ 0.34	\$ 0.42	\$ 0.65
Diluted earnings per share	\$ 0.27	\$ 0.33	\$ 0.40	\$ 0.63

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,	
	2009	2008	2009	2008
Net income	\$ 1,559	\$ 1,750	\$ 2,279	\$ 3,320
Other comprehensive loss, net of tax:				
Unrealized holding (losses) gains arising during period from securities available for sale, net of (benefit) tax of \$(45) and \$26 for the three and six months ended June 30, 2009, respectively, and \$(818) and \$(466) for the three and six months ended June 30, 2008, respectively	(88)	(1,592)	50	(905)
Unrealized holding gains arising during period from derivative, net of tax of \$35	-	-	-	68
Reclassification adjustment for net gains realized on derivatives in net income, net of tax benefit of \$46 and \$93 for the three and six months ended June 30, 2009, respectively, and \$46 and \$93 for the three and six months ended June 30, 2008, respectively	(90)	(90)	(180)	(180)
Other comprehensive loss	(178)	(1,682)	(130)	(1,017)
Comprehensive income	\$ 1,381	\$ 68	\$ 2,149	\$ 2,303

See Notes to Consolidated Financial Statements

SERVISFIRST BANCSHARES, INC.
 CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
 SIX MONTHS ENDED JUNE 30, 2009
 (Unaudited)
 (In thousands)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Other Comprehensive Income	Total Stockholders' Equity
Balance, December 31, 2008	\$ 5	\$ 70,729	\$ 15,087	\$ 962	\$ 86,783
Sale of 139,460 shares	1	3,478	-	-	3,479
Issuance of warrants related to subordinated notes payable	-	86	-	-	86
Accumulated other comprehensive loss	-	-	-	(130)	(130)
Stock-based compensation expense	-	395	-	-	395
Net income	-	-	2,279	-	2,279
Balance, June 30, 2009	\$ 6	\$ 74,688	\$ 17,366	\$ 832	\$ 92,892

See Notes to Consolidated Financial Statements

SERVISFIRST BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2009 AND 2008
(Unaudited)
(In thousands)

	2009	2008
OPERATING ACTIVITIES		
Net income	2,279	\$ 3,320
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Deferred tax benefit	(1,109)	(623)
Provision for loan losses	5,068	3,519
Depreciation and amortization	552	450
Net accretion of investments	(248)	(174)
Amortized gain on derivative	(272)	(272)
Increase in accrued interest and dividends receivable	(86)	(30)
Stock compensation expense	395	320
(Decrease) increase in accrued interest payable	(209)	554
Proceeds from mortgage loans held for sale	117,090	44,263
Originations of mortgage loans held for sale	(123,654)	(45,669)
Loss on sale of other real estate	683	97
Net change in other assets, liabilities, and other operating activities	(730)	209
Net cash (used in) provided by operating activities	(241)	5,965
INVESTMENT ACTIVITIES		
Purchase of securities available for sale	(18,351)	(10,956)
Proceeds from maturities, calls and paydowns of securities available for sale	9,199	5,220
Increase in loans	(147,290)	(170,097)
Purchase of premises and equipment	(1,021)	(239)
Purchase of restricted equity securities	(582)	(1,457)
Proceeds from sale of other real estate owned and repossessions	4,191	972
Net cash used in investing activities	(153,854)	(176,557)
FINANCING ACTIVITIES		
Net increase in noninterest-bearing deposits	17,710	12,048
Net increase in interest-bearing deposits	151,456	72,694
Net increase in federal funds purchased	-	26,302
Proceeds from other borrowings	5,000	20,247
Proceeds from sale of stock, net	3,479	-
Net cash provided by financing activities	177,645	131,291
Net increase (decrease) in cash and cash equivalents	23,550	(39,301)
Cash and cash equivalents at beginning of year	72,918	66,422
Cash and cash equivalents at end of year	96,468	\$ 27,121

SUPPLEMENTAL DISCLOSURE

Cash paid for:

Interest	9,578	\$	9,836
Income taxes	2,310		2,560

NONCASH TRANSACTIONS

Transfers of loans from held for sale to held for investment	1,861	\$	-
Other real estate acquired in settlement of loans	3,811		6,857

See Notes to Consolidated Financial Statements.

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SERVISFIRST BANCSHARES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2009
(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, 2008.

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

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.

	Three Months Ended June 30, 2009 2008 (In Thousands, Except Shares and Per Share Data)		Six Months Ended June 30, 2009 2008 (In Thousands, Except Shares and Per Share Data)	
Earnings Per Share				
Weighted average common shares outstanding	5,513,482	5,113,482	5,458,006	5,113,482
Net income	\$ 1,559	\$ 1,750	\$ 2,279	\$ 3,320
Basic earnings per share	\$ 0.28	\$ 0.34	\$ 0.42	\$ 0.65
Weighted average common shares outstanding				
	5,513,482	5,113,482	5,458,006	5,113,482
Dilutive effects of assumed conversions and exercise of stock options and warrants				
	296,173	176,611	292,521	174,435
Weighted average common and dilutive potential common shares outstanding				
	5,809,655	5,290,093	5,750,527	5,287,917

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Net income	\$	1,559	\$	1,750	\$	2,279	\$	3,320
Diluted earnings per share	\$	0.27	\$	0.33	\$	0.40	\$	0.63

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NOTE 4 - SECURITIES

The Company currently assigns all of its securities to available-for-sale based on its asset/liability management, liquidity and profitability objectives. The securities are carried at fair value. Unrealized gains or losses on available-for-sale securities are recorded as accumulated other comprehensive income (loss) in stockholders' equity, net of taxes.

Net unrealized gain on the securities portfolio increased from \$1.2 million, which represented 1.14% of the amortized cost at December 31, 2008, to \$1.3 million, which represented 1.14% of the amortized cost at June 30, 2009. The investment portfolio at June 30, 2009, and December 31, 2008 consisted of the following:

	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Market Value
	(In Thousands)			
Securities Available for Sale				
June 30, 2009:				
U.S. Treasury and government agencies	\$ 5,008	\$ 172	\$ -	\$ 5,180
Agency mortgage-backed securities	57,486	2,210	(50)	59,646
State and municipal securities	43,019	295	(960)	42,354
Corporate debt	5,040	-	(406)	4,634
Total	\$ 110,553	\$ 2,677	\$ (1,416)	\$ 111,814
Securities Available for Sale				
December 31, 2008:				
U.S. Treasury and government agencies	\$ 5,093	\$ 42	\$ (18)	\$ 5,117
Agency mortgage-backed securities	60,211	2,338	(5)	62,544