

ServisFirst Bancshares, Inc.
Form 10-Q
April 30, 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 MARCH 31, 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

Edgar Filing: ServisFirst Bancshares, Inc. - Form 10-Q

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

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 April 30, 2010 |
|--------------------------------|----------------------------------|
| Common stock, \$.001 par value | 5,513,482 |

TABLE OF CONTENTS

| | | |
|--------------------------------------|---|----|
| PART I. FINANCIAL INFORMATION | | |
| Item 1. | Consolidated Financial Statements | 3 |
| Item 2. | Management’s Discussion and Analysis of Financial Condition and Results of Operations | 20 |
| Item 3. | Quantitative and Qualitative Disclosure about Market Risk | 35 |
| Item 4. | Controls and Procedures | 35 |

| | | |
|-----------------------------------|---|----|
| PART II. OTHER INFORMATION | | |
| Item 1 | Legal Proceedings | 36 |
| Item 1A. | Risk Factors | 36 |
| Item 2. | Unregistered Sales of Equity Securities and Use of Proceeds | 36 |
| Item 3. | Defaults Upon Senior Securities | 36 |
| Item 4. | Other Information | 37 |
| Item 5. | Exhibits | 37 |

EX-31.01 SECTION 302, CERTIFICATION OF THE CEO
 EX-31.02 SECTION 302, CERTIFICATION OF THE CFO
 EX-31.01 SECTION 906, CERTIFICATION OF THE CEO
 EX-31.01 SECTION 906, CERTIFICATION OF THE CFO

PART 1. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

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

| | March 31, 2010 (Unaudited) | December 31, 2009 (Audited) |
|--|-------------------------------|-----------------------------------|
| ASSETS | | |
| Cash and due from banks | \$ 20,449 | \$ 26,982 |
| Interest-bearing balances due from depository institutions | 5,313 | 48,544 |
| Federal funds sold | 110 | 680 |
| Cash and cash equivalents | 25,872 | 76,206 |
| Debt securities: | | |
| Available for sale | 232,975 | 255,453 |
| Held to maturity | 1,145 | 645 |
| Restricted equity securities | 3,510 | 3,241 |
| Mortgage loans held for sale | 4,521 | 6,202 |
| Loans | 1,235,504 | 1,207,084 |
| Less allowance for loan losses | (15,671) | (14,911) |
| Loans, net | 1,219,833 | 1,192,173 |
| Premises and equipment, net | 4,892 | 5,088 |
| Accrued interest and dividends receivable | 6,664 | 6,200 |
| Deferred tax assets | 4,357 | 4,872 |
| Other real estate owned | 12,344 | 12,525 |
| Other assets | 11,451 | 10,892 |
| Total assets | \$ 1,527,564 | \$ 1,573,497 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Liabilities: | | |
| Deposits: | | |
| Noninterest-bearing | \$ 174,068 | \$ 211,307 |
| Interest-bearing | 1,176,492 | 1,221,048 |
| Total deposits | 1,350,560 | 1,432,355 |
| Federal funds purchased | 17,350 | - |
| Other borrowings | 24,925 | 24,922 |
| Trust preferred securities | 30,314 | 15,228 |
| Accrued interest payable | 937 | 1,026 |
| Other liabilities | 1,444 | 2,344 |
| Total liabilities | 1,425,530 | 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 | 75,213 | 75,078 |

Edgar Filing: ServisFirst Bancshares, Inc. - Form 10-Q

| | | |
|--|--|---------------------------|
| Retained earnings | 24,978 | 20,965 |
| Accumulated other comprehensive income | 1,837 | 1,573 |
| Total stockholders' equity | 102,034 | 97,622 |
| Total liabilities and shareholders' equity | Total liabilities and stockholders' equity | \$ 1,527,564 \$ 1,573,497 |

See Notes to Consolidated Financial Statements.

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

| | Three Months Ended March 31, | |
|---|------------------------------|----------------|
| | 2010 | 2009 |
| Interest income: | | |
| Interest and fees on loans | \$ 16,204 | \$ 12,509 |
| Taxable securities | 1,752 | 1,108 |
| Nontaxable securities | 524 | 278 |
| Federal funds sold | 10 | 24 |
| Other interest and dividends | 12 | 18 |
| Total interest income | 18,502 | 13,937 |
| Interest expense: | | |
| Deposits | 2,853 | 4,393 |
| Borrowed funds | 743 | 498 |
| Total interest expense | 3,596 | 4,891 |
| Net interest income | 14,906 | 9,046 |
| Provision for loan losses | 2,712 | 2,460 |
| Net interest income after provision for loan losses | 12,194 | 6,586 |
| Noninterest income: | | |
| Service charges on deposit accounts | 572 | 356 |
| Securities gains | 38 | - |
| Other operating income | 522 | 563 |
| Total noninterest income | 1,132 | 919 |
| Noninterest expenses: | | |
| Salaries and employee benefits | 3,482 | 3,367 |
| Equipment and occupancy expense | 780 | 588 |
| Professional services | 200 | 214 |
| Other operating expenses | 2,796 | 2,263 |
| Total noninterest expenses | 7,258 | 6,432 |
| Income before income taxes | 6,068 | 1,073 |
| Provision for income taxes | 2,055 | 352 |
| Net income | \$ 4,013 | \$ 721 |
| Basic earnings per share | \$ 0.73 | \$ 0.13 |
| Diluted earnings per share | \$ 0.68 | \$ 0.13 |

See Notes to Consolidated Financial Statements.

SERVISFIRST BANCSHARES, INC.
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 THREE MONTHS ENDED MARCH 31, 2010 AND 2009
 (Unaudited)
 (In thousands)

| | 2010 | 2009 |
|---|----------|--------|
| Net income | \$ 4,013 | \$ 721 |
| Other comprehensive income (loss), net of tax: | | |
| Unrealized holding gains arising during period from securities available for sale, net of tax of \$149 and \$71 for 2010 and 2009, respectively | 289 | 138 |
| Reclassification adjustment for net gains on sale of securities in net income, net of tax of \$13 | (25) | - |
| Reclassification adjustment for net gains realized on derivatives in net income, net of tax of \$46 for 2009 | - | (90) |
| Other comprehensive income | 264 | 48 |
| Comprehensive income | \$ 4,277 | \$ 769 |

See Notes to Consolidated Financial Statements

SERVISFIRST BANCSHARES, INC.
 CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
 THREE MONTHS ENDED MARCH 31, 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 | - | - | - | 264 | 264 |
| Stock-based compensation expense | - | 135 | - | - | 135 |
| Net income | - | - | 4,013 | - | 4,013 |
| Balance, March 31, 2010 | \$ 6 | \$ 75,213 | \$ 24,978 | \$ 1,837 | \$ 102,034 |

See Notes to Consolidated Financial Statements

SERVISFIRST BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2010 AND 2009
(In thousands) (Unaudited)

| | 2010 | 2009 |
|---|----------|----------|
| OPERATING ACTIVITIES | | |
| Net income | \$ 4,013 | \$ 721 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Deferred tax expense (benefit) | 379 | (967) |
| Provision for loan losses | 2,712 | 2,460 |
| Depreciation and amortization | 270 | 273 |
| Net amortization (accretion) of investments | 150 | (156) |
| Amortized gain on derivative | - | (136) |
| (Decrease) increase in accrued interest and dividends receivable | (463) | 92 |
| Stock compensation expense | 135 | 195 |
| Decrease in accrued interest payable | (89) | (130) |
| Proceeds from sale of mortgage loans held for sale | 29,235 | 51,562 |
| Originations of mortgage loans held for sale | (27,934) | (54,320) |
| Gain on sale of securities available for sale | (38) | - |
| Net loss on sale of other real estate owned | 52 | 612 |
| Decrease in special prepaid FDIC insurance assessments | 564 | - |
| Net change in other assets, liabilities, and other operating activities | (1,988) | (1,179) |
| Net cash provided by operating activities | 6,998 | (973) |
| INVESTMENT ACTIVITIES | | |