

ServisFirst Bancshares, Inc.
Form 10-Q
October 31, 2012

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 SEPTEMBER 30, 2012**

**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 26-0734029
(State or Other Jurisdiction of (I.R.S. Employer

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Incorporation or Organization) Identification No.)

850 Shades Creek Parkway, Birmingham, Alabama 35209
(Address of Principal Executive Offices) (Zip Code)

(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

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 October 29, 2012
Common stock, \$.001 par value	6,021,218

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EX-31.02	SECTION 302 CERTIFICATION OF THE CFO
EX-32.01	SECTION 906 CERTIFICATION OF THE CEO
EX-32.02	SECTION 906 CERTIFICATION OF THE CFO
EX-101.INS	XBRL Instance Document
EX-101.SCH	XBRL Taxonomy Extension Schema
EX-101.CAL	XBRL Taxonomy Extension Calculation Linkbase
EX-101.LAB	XBRL Taxonomy Extension Label Linkbase
EX-101.PRE	XBRL Taxonomy Extension Presentation Linkbase
EX-101.DEF	XBRL Taxonomy Extension Definition Linkbase

PART 1. FINANCIAL INFORMATION**ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS****SERVISFIRST BANCSHARES, INC.****CONSOLIDATED BALANCE SHEETS SEPTEMBER 30, 2012 AND DECEMBER 31, 2011****(In thousands, except share and per share amounts)**

	September 30, 2012 (Unaudited)	December 31, 2011 (Audited)
ASSETS		
Cash and due from banks	\$ 40,312	\$ 43,018
Interest-bearing balances due from depository institutions	204,361	99,350
Federal funds sold	10,672	100,565
Cash and cash equivalents	255,345	242,933
Available for sale debt securities, at fair value	236,582	293,809
Held to maturity debt securities (fair value of \$22,327 and \$15,999 at September 30, 2012 and December 31, 2011, respectively)	20,791	15,209
Restricted equity securities	3,941	3,501
Mortgage loans held for sale	28,558	17,859
Loans	2,161,130	1,830,742
Less allowance for loan losses	(24,604) (22,030
Loans, net	2,136,526	1,808,712
Premises and equipment, net	5,875	4,591
Accrued interest and dividends receivable	9,188	8,192
Deferred tax assets	6,289	4,914
Other real estate owned	9,641	12,275
Bank owned life insurance contracts	41,551	40,390
Other assets	8,947	8,400
Total assets	\$ 2,763,234	\$ 2,460,785
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Noninterest-bearing	\$ 512,962	\$ 418,810
Interest-bearing	1,896,559	1,725,077
Total deposits	2,409,521	2,143,887
Federal funds purchased	91,317	79,265
Other borrowings	-	4,954
Trust preferred securities	30,514	30,514
Accrued interest payable	867	945
Other liabilities	6,009	4,928

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Total liabilities	2,538,228	2,264,493
Stockholders' equity:		
Preferred stock, Series A Senior Non-Cumulative Perpetual, par value \$.001 (liquidation preference \$1,000), net of discount; 40,000 shares authorized, 40,000 shares issued and outstanding at March 31, 2012 and at December 31, 2011	39,958	39,958
Preferred stock, par value \$.001 per share; 1,000,000 authorized and 960,000 currently undesignated	-	-
Common stock, par value \$.001 per share; 15,000,000 shares authorized; 6,006,218 shares issued and outstanding at September 30, 2012 and 5,932,182 shares issued and outstanding at December 31, 2011	6	6
Additional paid-in capital	89,614	87,805
Retained earnings	87,170	61,581
Accumulated other comprehensive income	8,258	6,942
Total stockholders' equity	225,006	196,292
Total liabilities and stockholders' equity	\$ 2,763,234	\$ 2,460,785

See Notes to Consolidated Financial Statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Interest income:				
Interest and fees on loans	\$ 25,609	\$ 21,043	\$ 73,372	\$ 59,509
Taxable securities	1,189	1,374	3,828	4,360
Nontaxable securities	827	742	2,423	2,175
Federal funds sold	50	54	145	125
Other interest and dividends	68	99	200	184
Total interest income	27,743	23,312	79,968	66,353
Interest expense:				
Deposits	3,079	3,382	9,229	9,780
Borrowed funds	616	711	2,048	2,330
Total interest expense	3,695	4,093	11,277	12,110
Net interest income	24,048	19,219	68,691	54,243
Provision for loan losses	1,185	2,740	6,651	6,465
Net interest income after provision for loan losses	22,863	16,479	62,040	47,778
Noninterest income:				
Service charges on deposit accounts	666	569	1,986	1,683
Mortgage banking	865	814	2,701	1,641
Securities gains	-	-	-	666
Increase in cash surrender value life insurance	386	-	1,161	-
Other operating income	443	425	1,209	871
Total noninterest income	2,360	1,808	7,057	4,861
Noninterest expenses:				
Salaries and employee benefits	5,697	4,723	16,110	13,963
Equipment and occupancy expense	988	923	2,884	2,743
Professional services	322	337	960	928
FDIC and other regulatory assessments	409	403	1,155	1,377
OREO expense	1,159	115	1,832	504
Other operating expenses	2,696	2,331	7,256	7,283
Total noninterest expenses	11,271	8,832	30,197	26,798
Income before income taxes	13,952	9,455	38,900	25,841
Provision for income taxes	4,650	3,320	13,011	8,990
Net income	9,302	6,135	25,889	16,851
Preferred stock dividends	100	100	300	100
Net income available to common stockholders	\$ 9,202	\$ 6,035	\$ 25,589	\$ 16,751

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Basic earnings per common share	\$ 1.53	\$ 1.03	\$ 4.28	\$ 2.93
Diluted earnings per common share	\$ 1.35	\$ 0.90	\$ 3.75	\$ 2.58

See Notes to Consolidated Financial Statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net income	\$ 9,302	\$ 6,135	\$ 25,889	\$ 16,851
Other comprehensive income, net of tax:				
Unrealized holding gains arising during period from securities available for sale, net of tax of \$348 and \$525 for the three and nine months ended September 30, 2012, respectively, and \$1,473 and \$3,186 for the three and nine months ended September 30, 2011, respectively	646	1,784	1,316	4,966
Reclassification adjustment for net losses on sale of securities in net income, net of tax of \$234 for the nine months ended September 30, 2011	-	-	-	(432)
Other comprehensive income, net of tax	646	1,784	1,316	4,534
Comprehensive income	\$ 9,948	\$ 7,919	\$ 27,205	\$ 21,385

See Notes to Consolidated Financial Statements.

SERVISFIRST BANCSHARES, INC.**CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY****NINE MONTHS ENDED SEPTEMBER 30, 2012****(In thousands, except share amounts)****(Unaudited)**

	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
Balance, December 31, 2011	\$ 39,958	\$ 6	\$ 87,805	\$ 61,581	\$ 6,942	\$ 196,292
Preferred dividends paid	-	-	-	(300)	-	(300)
Exercise 74,036 stock options and warrants, including tax benefit	-	-	1,021	-	-	1,021
Other comprehensive income	-	-	-	-	1,316	1,316
Stock-based compensation expense	-	-	788	-	-	788
Net income	-	-	-	25,889	-	25,889
Balance, September 30, 2012	\$ 39,958	\$ 6	\$ 89,614	\$ 87,170	\$ 8,258	\$ 225,006

See Notes to Consolidated Financial Statements.

SERVISFIRST BANCSHARES, INC.**CONSOLIDATED STATEMENTS OF CASH FLOWS****NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011****(In thousands) (Unaudited)**

	2012	2011
OPERATING ACTIVITIES		
Net income	\$25,889	\$16,851
Adjustments to reconcile net income to net cash provided by		
Deferred tax benefit	(1,602)	(1,476)
Provision for loan losses	6,651	6,465
Depreciation and amortization	911	844
Net amortization of investments	789	648
Market value adjustment of interest rate cap	9	98
Increase in accrued interest and dividends receivable	(996)	(539)
Stock-based compensation expense	788	719
(Decrease) increase in accrued interest payable	(78)	145
Proceeds from sale of mortgage loans held for sale	176,753	115,329
Originations of mortgage loans held for sale	(184,706)	(115,344)
Gain on sale of securities available for sale	-	(666)
Gain on sale of mortgage loans held for sale	(2,746)	(1,641)
Net loss (gain) on sale of other real estate owned	88	(87)
Write down of other real estate owned	1,424	181
Decrease in special prepaid FDIC insurance assessments	972	1,126
Increase in cash surrender value of life insurance contracts	(1,161)	-
Loss on prepayment of other borrowings	-	738
Net change in other assets, liabilities, and other operating activities	(401)	966
Net cash provided by operating activities	22,584	24,357
INVESTMENT ACTIVITIES		
Purchase of securities available for sale	(34,040)	(95,311)
Proceeds from maturities, calls and paydowns of securities available for sale	92,021	19,679
Purchase of securities held to maturity	(6,005)	(11,188)
Proceeds from maturities, calls and paydowns of securities held to maturity	423	1,067
Increase in loans	(335,877)	(309,529)
Purchase of premises and equipment	(2,195)	(893)
Purchase of restricted equity securities	(787)	(543)
Purchase of bank-owned life insurance contracts	-	(40,000)
Proceeds from sale of securities available for sale	-	63,270
Proceeds from sale of restricted equity securities	347	345
Proceeds from sale of other real estate owned and repossessions	2,534	2,950
Net cash used in investing activities	(283,579)	(370,153)
FINANCING ACTIVITIES		
Net increase in noninterest-bearing deposits	94,152	131,605

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Net increase in interest-bearing deposits	171,482	120,960
Net increase in federal funds purchased	12,052	16,400
Proceeds from sale of common stock, net	1,021	10,411
Proceeds from sale of preferred stock, net	-	39,958
Repayment of other borrowings	(5,000)	(20,738)
Dividends on preferred stock	(300)	(100)
Net cash provided by financing activities	273,407	298,496
Net increase (decrease) in cash and cash equivalents	12,412	(47,300)
Cash and cash equivalents at beginning of year	242,933	231,978
Cash and cash equivalents at end of year	\$255,345	\$184,678
SUPPLEMENTAL DISCLOSURE		
Cash paid for:		
Interest	\$11,355	\$11,965
Income taxes	12,203	10,136
NONCASH TRANSACTIONS		
Transfers of loans from held for sale to held for investment	\$-	\$417
Other real estate acquired in settlement of loans	1,436	6,263
Internally financed sales of other real estate owned	24	141

See Notes to Consolidated Financial Statements.

SERVISFIRST BANCSHARES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2012

(Unaudited)

NOTE 1 - GENERAL

The accompanying 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 (“U.S. GAAP”) 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, 2011.

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

NOTE 2 - CASH AND CASH EQUIVALENTS

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 available to common stockholders 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 shares issuable upon possible conversion of the Company’s junior subordinated mandatory

convertible deferrable interest debentures due March 15, 2040.

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	Three Months Ended September 30, 2012		Three Months Ended September 30, 2011	
	2012	2011	2012	2011
(In Thousands, Except Shares and Per Share Data)				
Earnings per common share				
Weighted average common shares outstanding	6,005,242	5,886,178	5,977,590	5,709,334
Net income available to common stockholders	\$9,202	\$6,035	\$ 25,589	\$ 16,751
Basic earnings per common share	\$1.53	\$1.03	\$ 4.28	\$ 2.93
Weighted average common shares outstanding	6,005,242	5,886,178	5,977,590	5,709,334
Dilutive effects of assumed conversions and exercise of stock options and warrants	942,187	996,631	954,088	962,579
Weighted average common and dilutive potential common shares outstanding	6,947,429	6,882,809	6,931,678	6,671,913
Net income available to common stockholders	\$9,202	\$6,035	\$ 25,589	\$ 16,751
Effect of interest expense on convertible debt, net of tax and discretionary expenditures related to conversion	143	150	426	444
Net income available to common stockholders, adjusted for effect of debt conversion	\$9,345	\$6,185	\$ 26,015	\$ 17,195
Diluted earnings per common share	\$1.35	\$0.90	\$ 3.75	\$ 2.58

NOTE 4 - SECURITIES

The amortized cost and fair value of available-for-sale and held-to-maturity securities at September 30, 2012 and December 31, 2011 are summarized as follows:

	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Market Value
(In Thousands)				
September 30, 2012				
Securities Available for Sale				
U.S. Treasury and government sponsored agencies	\$32,355	\$ 1,139	\$ -	\$33,494
Mortgage-backed securities	77,067	4,890	-	81,957
State and municipal securities	108,682	6,523	(9)	115,196
Corporate debt	5,773	162	-	5,935
Total	223,877	12,714	(9)	236,582
Securities Held to Maturity				
Mortgage-backed securities	15,254	860	-	16,114
State and municipal securities	5,537	676	-	6,213
Total	\$20,791	\$ 1,536	\$ -	\$22,327

December 31, 2011

Securities Available for Sale

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U.S. Treasury and government sponsored agencies	\$98,169	\$ 1,512	\$ (59)	\$99,622
Mortgage-backed securities	88,118	4,462	-	92,580
State and municipal securities	95,331	5,230	(35)	100,526
Corporate debt	1,029	52	-	1,081
Total	282,647	11,256	(94)	293,809
Securities Held to Maturity				
Mortgage-backed securities	9,676	410	-	10,086
State and municipal securities	5,533	380	-	5,913
Total	\$15,209	\$ 790	\$ -	\$15,999

All mortgage-backed securities are with government-sponsored enterprises (GSEs) such as Federal National Mortgage Association, Government National Mortgage Association, Federal Home Loan Bank, and Federal Home Loan Mortgage Corporation.

The following table identifies, as of September 30, 2012 and December 31, 2011, the Company's investment securities that have been in a continuous unrealized loss position for less than 12 months and those that have been in a continuous unrealized loss position for 12 or more months. At September 30, 2012, two of the Company's 555 debt securities had been in an unrealized loss position for 12 or more months. The Company does not intend to sell these securities and it is more likely than not that the Company will not be required to sell the securities before recovery of their amortized cost, which may be maturity; accordingly, the Company does not consider these securities to be other-than-temporarily impaired at September 30, 2012. Further, the Company believes any deterioration in value of its current investment securities is attributable to changes in market interest rates and not credit quality of the issuer.

	Less Than Twelve Months		Twelve Months or More		Total	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
(In Thousands)						
September 30, 2012						
U.S. Treasury and government sponsored agencies	\$-	\$ -	\$ -	\$ -	\$-	\$ -
State and municipal securities	(6)	1,421	(3)	333	(9)	1,754
Corporate debt	-	-	-	-	-	-
Total	\$(6)	\$ 1,421	\$(3)	\$ 333	\$(9)	\$ 1,754
December 31, 2011						
U.S. Treasury and government sponsored agencies	\$(59)	\$ 15,074	\$ -	\$ -	\$(59)	\$ 15,074
Mortgage-backed securities	-	-	-	-	-	-
State and municipal securities	(35)	4,559	-	-	(35)	4,559
Corporate debt	-	-	-	-	-	-
Total	\$(94)	\$ 19,633	\$ -	\$ -	\$(94)	\$ 19,633

NOTE 5 – LOANS

The following table details the company's loans at September 30, 2012 and December 31, 2011:

	September 30, December 31,			
	2012	2011		
	(Dollars In Thousands)			
Commercial, financial and agricultural	\$910,220	\$ 799,464		
Real estate - construction	153,351	151,218		
Real estate - mortgage:				
Owner-occupied commercial	530,350	398,601		
1-4 family mortgage	236,060	205,182		
Other mortgage	288,677	235,251		
Subtotal: Real estate - mortgage	1,055,087	839,034		
Consumer	42,472	41,026		
Total Loans	2,161,130	1,830,742		
Less: Allowance for loan losses	(24,604)	(22,030)		
Net Loans	\$2,136,526	\$ 1,808,712		
Commercial, financial and agricultural	42.12	%	43.67	%
Real estate - construction	7.10	%	8.26	%
Real estate - mortgage:				
Owner-occupied commercial	24.54	%	21.77	%
1-4 family mortgage	10.92	%	11.21	%
Other mortgage	13.36	%	12.85	%
Subtotal: Real estate - mortgage	48.82	%	45.83	%
Consumer	1.96	%	2.24	%
Total Loans	100.00	%	100.00	%

The credit quality of the loan portfolio is summarized no less frequently than quarterly using categories similar to the standard asset classification system used by the federal banking agencies. The following table presents credit quality indicators for the loan loss portfolio segments and classes. These categories are utilized to develop the associated allowance for loan losses using historical losses adjusted for current economic conditions defined as follows:

Pass – loans which are well protected by the current net worth and paying capacity of the obligor (or obligors, if any) or by the fair value, less cost to acquire and sell, of any underlying collateral.

Special Mention – loans with potential weakness that may, if not reversed or corrected, weaken the credit or inadequately protect the Company's position at some future date. These loans are not adversely classified and do not expose an institution to sufficient risk to warrant an adverse classification.

Substandard – loans that exhibit well-defined weakness or weaknesses that presently jeopardize debt repayment. These loans are characterized by the distinct possibility that the institution will sustain some loss if the weaknesses are not corrected.

Doubtful – loans that have all the weaknesses inherent in loans classified substandard, plus the added characteristic that the weaknesses make collection or liquidation in full on the basis of currently existing facts, conditions, and values highly questionable and improbable.

Loans by credit quality indicator as of September 30, 2012 and December 31, 2011 were as follows:

September 30, 2012	Pass	Special Mention	Substandard	Doubtful	Total
	(In Thousands)				
Commercial, financial and agricultural	\$893,444	\$9,995	\$ 6,781	\$ -	\$910,220
Real estate - construction	125,589	11,756	16,006	-	153,351
Real estate - mortgage:					
Owner-occupied commercial	516,073	5,149	9,128	-	530,350
1-4 family mortgage	223,659	6,265	6,136	-	236,060
Other mortgage	278,355	6,794	3,528	-	288,677
Total real estate mortgage	1,018,087	18,208	18,792	-	1,055,087
Consumer	42,063	81	328	-	42,472
Total	\$2,079,183	\$40,040	\$ 41,907	\$ -	\$2,161,130

December 31, 2011	Pass	Special Mention	Substandard	Doubtful	Total
	(In Thousands)				
Commercial, financial and agricultural	\$780,270	\$11,775	\$ 7,419	\$ -	\$799,464
Real estate - construction	117,244	14,472	19,502	-	151,218
Real estate - mortgage:					
Owner-occupied commercial	385,084	7,333	6,184	-	398,601
1-4 family mortgage	194,447	4,835	5,900	-	205,182
Other mortgage	224,807	7,034	3,410	-	235,251
Total real estate mortgage	804,338	19,202	15,494	-	839,034
Consumer	40,353	96	577	-	41,026
Total	\$1,742,205	\$45,545	\$ 42,992	\$ -	\$1,830,742

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Loans by performance status as of September 30, 2012 and December 31, 2011 were as follows:

September 30, 2012	Performing (In Thousands)	Nonperforming	Total
Commercial, financial and agricultural	\$909,853	\$ 367	\$910,220
Real estate - construction	145,130	8,221	153,351
Real estate - mortgage:			
Owner-occupied commercial	527,393	2,957	530,350
1-4 family mortgage	235,591	469	236,060
Other mortgage	287,644	1,033	288,677
Total real estate mortgage	1,050,628	4,459	1,055,087
Consumer	42,308	164	42,472
Total	\$2,147,919	\$ 13,211	\$2,161,130

December 31, 2011	Performing (In Thousands)	Nonperforming	Total
Commercial, financial and agricultural	\$798,285	\$ 1,179	\$799,464
Real estate - construction	141,155	10,063	151,218
Real estate - mortgage:			
Owner-occupied commercial	397,809	792	398,601
1-4 family mortgage	204,512	670	205,182
Other mortgage	234,558	693	235,251
Total real estate mortgage	836,879	2,155	839,034
Consumer	40,651	375	41,026
Total	\$1,816,970	\$ 13,772	\$1,830,742

Loans by past due status as of September 30, 2012 and December 31, 2011 were as follows:

September 30, 2012	Past Due Status (Accruing Loans)				Total Past Due	Non-Accrual	Current	Total Loans
	30-59 Days	60-89 Days	90+ Days	Due				
	(In Thousands)							
Commercial, financial and agricultural	\$757	\$ 371	\$ -	\$ 1,128	\$ 367	\$908,725	\$910,220	
Real estate - construction	-	32	-	32	8,221	145,098	153,351	
Real estate - mortgage:								
Owner-occupied commercial	1,555	-	-	1,555	2,957	525,838	530,350	
1-4 family mortgage	242	-	-	242	469	235,349	236,060	
Other mortgage	1,000	-	-	1,000	1,033	286,644	288,677	
Total real estate - mortgage	2,797	-	-	2,797	4,459	1,047,831	1,055,087	
Consumer	216	20	38	274	126	42,072	42,472	
Total	\$3,770	\$ 423	\$ 38	\$ 4,231	\$ 13,173	\$2,143,726	\$2,161,130	

December 31, 2011	Past Due Status (Accruing Loans)				Total Past Due	Non-Accrual	Current	Total Loans
	30-59 Days	60-89 Days	90+ Days	Due				
	(In Thousands)							
Commercial, financial and agricultural	\$-	\$ -	\$ -	\$ -	\$ 1,179	\$798,285	\$799,464	
Real estate - construction	2,234	-	-	2,234	10,063	138,921	151,218	
Real estate - mortgage:								
Owner-occupied commercial	-	-	-	-	792	397,809	398,601	
1-4 family mortgage	2,107	-	-	2,107	670	202,405	205,182	
Other mortgage	-	-	-	-	693	234,558	235,251	
Total real estate - mortgage	2,107	-	-	2,107	2,155	834,772	839,034	
Consumer	-	84	-	84	375	40,567	41,026	
Total	\$4,341	\$ 84	\$ -	\$ 4,425	\$ 13,772	\$1,812,545	\$1,830,742	

The Company assesses the adequacy of its allowance for loan losses prior to the end of each calendar quarter. The level of the allowance is based on management's evaluation of the loan portfolios, past loan loss experience, current asset quality trends, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay (including the timing of future payment), the estimated value of any underlying collateral, composition of the loan portfolio, economic conditions, industry and peer bank loan quality indications and other pertinent factors, including regulatory recommendations. This evaluation is inherently subjective as it requires material estimates including the amounts and timing of future cash flows expected to be received on impaired loans that may be susceptible to significant change. Loan losses are charged off when management believes that the full collectability of the loan is unlikely. A loan may be partially charged-off after a "confirming event" has occurred which serves to validate that full repayment pursuant to the terms of the loan is unlikely. Allocation of the allowance is made for specific loans, but the entire allowance is available for any loan that in management's judgment deteriorates and is uncollectible. The unallocated portion of the reserve is management's evaluation of potential future losses that would arise in the loan portfolio should management's assumption about qualitative and environmental conditions materialize. The unallocated portion of the allowance for loan losses is based on management's judgment regarding various external and internal factors including macroeconomic trends, management's assessment of the Company's loan

growth prospects, and evaluations of internal risk controls.

The following table presents an analysis of the allowance for loan losses by portfolio segment as of September 30, 2012 and December 31, 2011. The total allowance for loan losses is disaggregated into those amounts associated with loans individually evaluated and those associated with loans collectively evaluated.

Commercial,
financial and Real estate - Real estate -
agricultural construction mortgage Consumer Unallocated Total
(In Thousands)

Three Months Ended September 30, 2012

Allowance for loan losses:						
Balance at June 30, 2012	\$6,511	\$ 7,582	\$ 3,640	\$ 285	\$ 5,221	\$23,239
Charge-offs	(349)	(16)	(30)	(79)	-	(474)
Recoveries	24	47	582	1	-	654
Provision	1,090	(1,560)	615	96	944	1,185
Balance at September 30, 2012	\$7,276	\$ 6,053	\$ 4,807	\$ 303	\$ 6,165	\$24,604

Three Months Ended September 30, 2011

Allowance for loan losses:						
Balance at June 30, 2011	\$5,822	\$ 6,468	\$ 3,187	\$ 551	\$ 3,488	\$19,516
Charge-offs	(37)	(678)	(88)	(11)	-	(814)
Recoveries	12	10	1	1	-	24
Provision	464	479	964	482	351	2,740
Balance at September 30, 2011	\$6,261	\$ 6,279	\$ 4,064	\$ 1,023	\$ 3,839	\$21,466

Nine Months Ended September 30, 2012

Allowance for loan losses:						
Balance at December 31, 2011	\$6,627	\$ 6,542	\$ 3,295	\$ 531	\$ 5,035	\$22,030
Charge-offs	(898)	(2,935)	(311)	(707)	-	(4,851)
Recoveries	124	55	588	7	-	774
Provision	1,423	2,391	1,235	472	1,130	6,651
Balance at September 30, 2012	\$7,276	\$ 6,053	\$ 4,807	\$ 303	\$ 6,165	\$24,604

Nine Months Ended September 30, 2011

Allowance for loan losses:						
Balance at December 31, 2010	\$5,348	\$ 6,373	\$ 2,443	\$ 749	\$ 3,164	\$18,077
Charge-offs	(897)	(1,999)	(103)	(340)	-	(3,339)
Recoveries	12	174	2	75	-	263
Provision	1,798	1,731	1,722	539	675	6,465
Balance at September 30, 2011	\$6,261	\$ 6,279	\$ 4,064	\$ 1,023	\$ 3,839	\$21,466

As of September 30, 2012

Allowance for loan losses:						
Ending Balance	\$7,276	\$ 6,053	\$ 4,807	\$ 303	\$ 6,165	\$24,604
Individually Evaluated for Impairment	714	1,177	1,953	81	-	3,925
Collectively Evaluated for Impairment	6,562	4,876	2,854	222	6,165	20,679

Loans:

Ending Balance	\$910,220	\$ 153,351	\$ 1,055,087	\$ 42,472	\$ -	\$2,161,130
Individually Evaluated for Impairment	4,063	16,006	18,353	328	-	38,750
Collectively Evaluated for Impairment	906,157	137,345	1,036,734	42,144	-	2,122,380

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As of December 31, 2011

Allowance for loan losses:

Ending Balance	\$6,627	\$ 6,542	\$ 3,295	\$ 531	\$ 5,035	\$22,030
Individually Evaluated for Impairment	1,382	1,533	941	325	-	4,181
Collectively Evaluated for Impairment	5,245	5,009	2,354	206	5,035	17,849

Loans:

Ending Balance	\$799,464	\$ 151,218	\$ 839,034	\$ 41,026	\$ -	\$1,830,742
Individually Evaluated for Impairment	5,578	16,262	14,866	547	-	37,253
Collectively Evaluated for Impairment	793,886	134,956	824,168	40,479	-	1,793,489

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The following table presents details of the Company's impaired loans as of September 30, 2012 and December 31, 2011, respectively. Loans which have been fully charged off do not appear in the tables.

	September 30, 2012			For the three months ended September 30, 2012		For the nine months ended September 30, 2012	
	Recorded Investment (In Thousands)	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized in Period	Average Recorded Investment	Interest Income Recognized in Period
With no allowance recorded:							
Commercial, financial and agricultural	\$2,085	\$2,338	\$ -	\$ 1,856	\$ 73	\$ 1,289	\$ 119
Real estate - construction	5,805	6,350	-	5,833	42	5,733	159
Real estate - mortgage:							
Owner-occupied commercial	5,228	5,539	-	5,550	68	5,367	182
1-4 family mortgage	1,925	2,147	-	1,872	14	1,999	56
Other mortgage	2,886	2,886	-	2,885	31	2,855	96
Total real estate - mortgage	10,039	10,572	-	10,307	113	10,221	334
Consumer	36	610	-	36	-	183	-
Total with no allowance recorded	17,965	19,870	-	18,032	228	17,426	612
With an allowance recorded:							
Commercial, financial and agricultural	1,978	1,978	714	1,956	29	1,954	89
Real estate - construction	10,201	11,712	1,177	10,949	4	11,686	134
Real estate - mortgage:							
Owner-occupied commercial	3,671	3,671	804	3,675	26	3,794	81
1-4 family mortgage	4,001	4,001	894	4,001	38	4,000	103
Other mortgage	642	642	255	642	4	648	22
Total real estate - mortgage	8,314	8,314	1,953	8,318	68	8,442	206
Consumer	292	344	81	344	3	268	7
Total with allowance recorded	20,785	22,348	3,925	21,567	104	22,350	436
Total Impaired Loans:							
Commercial, financial and agricultural	4,063	4,316	714	3,812	102	3,243	208
Real estate - construction	16,006	18,062	1,177	16,782	46	17,419	293
Real estate - mortgage:							
Owner-occupied commercial	8,899	9,210	804	9,225	94	9,161	263
1-4 family mortgage	5,926	6,148	894	5,873	52	5,999	159
Other mortgage	3,528	3,528	255	3,527	35	3,503	118
Total real estate - mortgage	18,353	18,886	1,953	18,625	181	18,663	540
Consumer	328	954	81	380	3	451	7
Total impaired loans	\$38,750	\$42,218	\$ 3,925	\$ 39,599	\$ 332	\$ 39,776	\$ 1,048

December 31, 2011

	Recorded Investment (In Thousands)	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized in Period
With no allowance recorded:					
Commercial, financial and agricultural	\$ 1,264	\$ 1,264	\$ -	\$ 1,501	\$ 74
Real estate - construction	11,583	12,573	-	10,406	226
Owner-occupied commercial	2,493	2,493	-	2,523	153
1-4 family mortgage	1,293	1,293	-	1,241	44
Other mortgage	2,837	2,837	-	2,746	162
Total real estate - mortgage	6,623	6,623	-	6,510	359
Consumer	173	173	-	173	6
Total with no allowance recorded	19,643	20,633	-	18,590	665
With an allowance recorded:					
Commercial, financial and agricultural	4,314	4,314	1,382	4,156	226
Real estate - construction	4,679	4,679	1,482	3,987	94
Real estate - mortgage:					
Owner-occupied commercial	3,515	3,515	88	3,504	365
1-4 family mortgage	4,397	4,397	904	4,484	198
Other mortgage	331	331	-	337	22
Total real estate - mortgage	8,243	8,243	992	8,325	585
Consumer	374	624	325	425	-
Total with allowance recorded	17,610	17,860	4,181	16,893	905
Total Impaired Loans:					
Commercial, financial and agricultural	5,578	5,578	1,382	5,657	300
Real estate - construction	16,262	17,252	1,482	14,393	320
Real estate - mortgage:					
Owner-occupied commercial	6,008	6,008	88	6,027	518
1-4 family mortgage	5,690	5,690	904	5,725	242
Other mortgage	3,168	3,168	-	3,083	184
Total real estate - mortgage	14,866	14,866	992	14,835	944
Consumer	547	797	325	598	6
Total impaired loans	\$ 37,253	\$ 38,493	\$ 4,181	\$ 35,483	\$ 1,570

Troubled Debt Restructurings ("TDR") at September 30, 2012, December 31, 2011 and September 30, 2011 totaled \$12.0 million, \$4.5 million and \$4.5 million, respectively. The increase for both periods consists of two relationships that were added in the first and third quarters of 2012. At September 30, 2012, the Company had a related allowance for loan losses of \$1,433,000 allocated to these TDRs, compared to \$439,000 at December 31, 2011 and \$297,000 at September 30, 2011. The Company had three TDR loans to one borrower in the amount of \$2.8 million enter into payment default status during the first quarter of 2012. The assets securing these loans are under a letter of intent to sell at a purchase price that is expected to be sufficient to pay the full principal owed. The final contract is still in negotiation. All other loans classified as TDRs as of September 30, 2012 are performing as agreed under the terms of their restructured plans. The following table presents an analysis of TDRs as of September 30, 2012 and September

30, 2011.

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September 30, 2012		September 30, 2011	
Pre-Modification Outstanding	Post-Modification Outstanding	Pre-Modification Outstanding	Post-Modification Outstanding
Number of Recorded	Recorded		