ServisFirst Bancshares, Inc.
Form 10-Q
August 03, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one)
xQUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2011

¨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 x 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 x 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 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 July 29, 2011
Common stock, $.001 par value	5,872,482

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PART 1. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

SERVISFIRST BANCSHARES, INC.
CONSOLIDATED BALANCE SHEETS JUNE 30, 2011 AND DECEMBER 31, 2010
(In thousands, except share and per share amounts)

	June 30, 2011 (Unaudited)	December 31, 2010 (Audited)
ASSETS		
Cash and due from banks	$ 27,963	$ 27,454
Interest-bearing balances due from depository institutions	74,951	204,178
Federal funds sold	94,541	346
Cash and cash equivalents	197,455	231,978
Debt securities:		
Available for sale	230,671	276,959
Held to maturity	13,895	5,234
Restricted equity securities	3,899	3,510
Mortgage loans held for sale	4,092	7,875
Loans	1,560,974	1,394,818
Less allowance for loan losses	(19,516)	(18,077)
Loans, net	1,541,458	1,376,741
Premises and equipment, net	4,673	4,450
Accrued interest and dividends receivable	6,847	6,990
Deferred tax assets	7,338	6,366
Other real estate owned	6,931	6,966
Other assets	7,338	8,097
Total assets	$ 2,024,597	$ 1,935,166
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Noninterest-bearing	$ 283,968	$ 250,490
Interest-bearing	1,519,906	1,508,226
Total deposits	1,803,874	1,758,716
Other borrowings	4,945	24,937
Trust preferred securities	30,490	30,420
Accrued interest payable	983	898
Other liabilities	3,104	3,095
Total liabilities	1,843,396	1,818,066
Stockholders' equity:		
Preferred stock, Series A Senior Non-Cumulative Perpetual Participating, par value $.001 (liquidation preference $1,000), net of discount; 40,000 shares authorized, 40,000 shares issued and outstanding at June 30, 2011 and no shares authorized, issued and outstanding at December 31, 2010	39,958	-
Preferred stock, undesignated, par value $.001 per share; 1,000,000 shares authorized; no shares outstanding	-	-
	6	6

Common stock, par value $.001 per share; 15,000,000 shares authorized; 5,872,482 shares issued and outstanding at June 30, 2011 and 5,527,482 shares issued and outstanding at December 31, 2010		
Additional paid-in capital	86,591	75,914
Retained earnings	49,059	38,343
Accumulated other comprehensive income	5,587	2,837
Total stockholders' equity	181,201	117,100
Total liabilities and shareholders' equity	$ 2,024,597	$ 1,935,166

See Notes to Consolidated Financial Statements.

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

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Interest income:				
Interest and fees on loans	$ 19,845	$ 16,750	$ 38,466	$ 32,954
Taxable securities	1,444	1,670	2,986	3,422
Nontaxable securities	719	544	1,433	1,068
Federal funds sold	35	16	71	18
Other interest and dividends	37	16	85	36
Total interest income	22,080	18,996	43,041	37,498
Interest expense:				
Deposits	3,264	2,829	6,398	5,682
Borrowed funds	768	859	1,619	1,602
Total interest expense	4,032	3,688	8,017	7,284
Net interest income	18,048	15,308	35,024	30,214
Provision for loan losses	1,494	2,537	3,725	5,075
Net interest income after provision for loan losses	16,554	12,771	31,299	25,139
Noninterest income:				
Service charges on deposit accounts	547	588	1,114	1,154
Securities gains	523	15	666	53
Other operating income	712	401	1,273	929
Total noninterest income	1,782	1,004	3,053	2,136
Noninterest expenses:				
Salaries and employee benefits	5,026	3,147	9,240	6,629
Equipment and occupancy expense	934	774	1,820	1,554
Professional services	351	205	591	405
Other operating expenses	3,058	3,435	6,315	6,405
Total noninterest expenses	9,369	7,561	17,966	14,993
Income before income taxes	8,967	6,214	16,386	12,282
Provision for income taxes	3,122	2,193	5,670	4,248
Net income	$ 5,845	$ 4,021	$ 10,716	$ 8,034
Basic earnings per share	$ 1.02	$ 0.73	$ 1.88	$ 1.46
Diluted earnings per share	$ 0.89	$ 0.65	$ 1.65	$ 1.33

See Notes to Consolidated Financial Statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Net income	$5,845	$4,021	$10,716	$8,034
Other comprehensive income, net of tax:				
Unrealized holding gains arising during period from securities available for sale, net of tax of $1,550 and $1,713 for the three and six months ended June 30, 2011, respectively, and $1,557 and $1,693 for the three and six months ended June 30, 2010, respectively	2,877	2,821	3,182	3,110
Reclassification adjustment for net gains on sale of securities in net income, net of tax of $184 and $234 for the three and six months ended June 30, 2011, respectively, and $6 and $19 for the three and six months ended June 30, 2010, respectively	(339)	(9)	(432)	(34)
Other comprehensive income, net of tax	2,538	2,812	2,750	3,076
Comprehensive income	$8,383	$6,833	$13,466	$11,110

See Notes to Consolidated Financial Statements

SERVISFIRST BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
SIX MONTHS ENDED JUNE 30, 2011
(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, 2010	-	6	75,914	38,343	2,837	117,100
Sale of 340,000 shares of common stock	-	-	10,159	-	-	10,159
Sale of 40,000 shares of preferred stock, net	39,958	-	-	-	-	39,958
Exercise 5,000 stock options	-	-	53	-	-	53
Other comprehensive income	-	-	-	-	2,750	2,750
Stock based compensation expense	-	-	465	-	-	465
Net income	-	-	-	10,716	-	10,716
Balance, June 30, 2011	$39,958	$6	$86,591	$49,059	$ 5,587	$ 181,201

See Notes to Consolidated Financial Statements

SERVISFIRST BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2011 AND 2010
(In thousands) (Unaudited)

	2011	2010
OPERATING ACTIVITIES		
Net income	$10,716	$8,034
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred tax (benefit) expense	(2,452)	(925)
Provision for loan losses	3,725	5,075
Depreciation and amortization	566	537
Net amortization (accretion) of investments	417	331
Market value adjustment of interest rate cap	99	-
Decrease in accrued interest and dividends receivable	143	56
Stock compensation expense	465	314
Increase (decrease) in accrued interest payable	85	(139)
Proceeds from sale of mortgage loans held for sale	67,237	60,934
Originations of mortgage loans held for sale	(63,871)	(59,981)
Gain on sale of securities available for sale	(666)	(53)
Net (gain) loss on sale of other real estate owned	(32)	175
Write down of other real estate owned	156	487
Decrease in special prepaid FDIC insurance assessments	793	1,462
Loss on prepayment of other borrowings	738	-
Net change in other assets, liabilities, and other operating activities	(46)	(3,190)
Net cash provided by operating activities	18,073	13,117
INVESTMENT ACTIVITIES		
Purchase of securities available for sale	(26,007)	(20,865)
Proceeds from maturities, calls and paydowns of securities available for sale	13,504	16,002
Purchase of securities held to maturity	(8,704)	(1,014)
Proceeds from maturities, calls and paydowns of securities held to maturity	43	-
Increase in loans	(169,996)	(88,814)
Purchase of premises and equipment	(789)	(150)
Purchase of restricted equity securities	(543)	(269)
Proceeds from sale of securities available for sale	63,270	29,999
Proceeds from sale restricted equity securities	154	-
Proceeds from sale of other real estate owned and repossessions	1,882	5,514
Additions to other real estate owned	-	(75)
Net cash used in investing activities	(127,186)	(59,672)
FINANCING ACTIVITIES		
Net increase (decrease) in noninterest-bearing deposits	33,478	(22,650)
Net decrease in interest-bearing deposits	11,680	105,199
Proceeds from issuance of trust preferred securities	-	15,050
Proceeds from sale of common stock, net	10,212	-
Proceeds from sale of preferred stock, net	39,958	-
Repayment of other borrowings	(20,738)	-
Net cash provided by financing activities	74,590	97,599
Net (decrease) increase in cash and cash equivalents	(34,523)	51,044
Cash and cash equivalents at beginning of year	231,978	76,206

Cash and cash equivalents at end of year	$197,455	$127,250
SUPPLEMENTAL DISCLOSURE		
Cash paid for:		
Interest	$7,932	$7,423
Income taxes	8,136	5,058
NONCASH TRANSACTIONS		
Transfers of loans from held for sale to held for investment	$417	$787
Other real estate acquired in settlement of loans	2,112	4,671
Internally financed sales of other real estate owned	141	495

See Notes to Consolidated Financial Statements.

SERVISFIRST BANCSHARES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2011
(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, 2010.

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, as well as the potential common stock issuable upon possible conversion of the preferred securities described in Note 11 to the consolidated financial statements.

	Three Months Ended June 30, 2011	2010	Six Months Ended June 30, 2011	2010
	(In Thousands, Except Shares and Per Share Data)			
Earnings per share				
Weighted average common shares outstanding	5,708,871	5,513,482	5,694,871	5,513,482
Net income	$5,845	$4,021	$10,716	$8,034
Basic earnings per share	$1.02	$0.73	$1.88	$1.46
Weighted average common shares outstanding	5,708,871	5,513,482	5,694,871	5,513,482
Dilutive effects of assumed conversions and exercise of stock options and warrants	997,082	886,447	962,488	646,359
Weighted average common and dilutive potential common shares outstanding	6,705,953	6,399,929	6,657,359	6,159,841
Net income, adjusted for effect of debt conversion	$5,845	$4,021	$10,716	$8,034
Effect of interest expense on covertible debt, net of tax and discretionary expenditures related to conversion	148	148	294	172
	$5,993	$4,169	$11,010	$8,206
Diluted earnings per share	$0.89	$0.65	$1.65	$1.33

NOTE 4 - SECURITIES

The amortized cost and fair value of available-for-sale and held-to-maturity securities at June 30, 2011 and December 31, 2010 are summarized as follows:

	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Market Value
June 30, 2011:		(In Thousands)		
Securities Available for Sale				
U.S. Treasury and government sponsored agencies	$35,411	$1,406	$-	$ 36,817
Mortgage-backed securities	102,561	4,396	(43)	106,914
State and municipal securities	83,078	3,051	(314)	85,815
Corporate debt	1,025	100	-	1,125
Total	$222,075	$8,953	$(357)	$ 230,671
Securities Held to Maturity				
Mortgage-backed securities	$8,365	$161	$-	$ 8,526
State and municipal securities	5,530	192	(16)	5,706
Total	$13,895	$353	$(16)	$ 14,232
December 31, 2010:				
Securities Available for Sale				
U.S. Treasury and government sponsored agencies	$90,631	$1,887	$(224)	$ 92,294
Mortgage-backed securities	101,709	2,783	(268)	104,224
State and municipal securities	78,241	1,076	(1,051)	78,266
Corporate debt	2,013	162	-	2,175
Total	$272,594	$5,908	$(1,543)	$ 276,959
Securities Held to Maturity				
State and municipal securities	$5,234	$-	$(271)	$ 4,963
Total	$5,234	$-	$(271)	$ 4,963

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 June 30, 2011 and December 31, 2010, 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 June 30, 2011, 13 of the Company's 446 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 June 30, 2011. 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)			
June 30, 2011:						
U.S. Treasury and government sponsored agencies	$-	$-	$-	$-	$-	$-
Mortgage-backed securities	(43)	2,765	-	-	(43)	2,765
State and municipal securities	(115)	6,419	(215)	4,218	(330)	10,637
Corporate debt	-	-	-	-	-	-
	$(158)	$9,184	$(215)	$4,218	$(373)	$13,402
December 31, 2010:						
U.S. Treasury and government sponsored agencies	$(224)	$24,217	$-	$-	$(224)	$24,217
Mortgage-backed securities	(268)	16,417	-	-	(268)	16,417
State and municipal securities	(1,034)	33,282	(288)	3,674	(1,322)	36,956
Corporate debt	-	-	-	-	-	-
	$(1,526)	$73,916	$(288)	$3,674	$(1,814)	$77,590

NOTE 5 – LOANS

The following table details the Company’s loans at June 30, 2011 and December 31, 2010:

	June 30, 2011	December 31, 2010
Commercial, financial and agricultural	$ 634,367	$ 536,620
Real estate - construction	159,564	172,055
Real estate - mortgage:		
Owner-occupied commercial	303,204	270,767
1-4 family mortgage	209,439	199,236
Other mortgage	210,488	178,793
Subtotal: Real estate - mortgage	723,131	648,796
Consumer	43,912	37,347
Total Loans	1,560,974	1,394,818
Less: Allowance for loan losses	(19,516)	(18,077)
Net Loans	$ 1,541,458	$ 1,376,741
Commercial, financial and agricultural	40.64 %	38.47 %
Real estate - construction	10.22 %	12.34 %
Real estate - mortgage:		
Owner-occupied commercial	19.42 %	19.41 %
1-4 family mortgage	13.42 %	14.28 %
Other mortgage	13.49 %	12.82 %
Subtotal: Real estate - mortgage	46.33 %	46.51 %
Consumer	2.81 %	2.68 %
Total Loans	100.00 %	100.00 %

Loans by credit quality indicator as of June 30, 2011 were as follows:

	Pass	Special Mention	Substandard	Doubtful	Total
Commercial, financial and agricultural	$607,662	$17,007	$9,698	$-	$634,367
Real estate - construction	119,412	8,446	31,706	-	159,564
Real estate - mortgage:					
Owner-occupied commercial	283,894	13,095	6,215	-	303,204
1-4 family mortgage	199,176	5,161	5,102	-	209,439
other mortgage	201,940	5,120	3,428	-	210,488
Total real estate mortgage	685,010	23,376	14,745	-	723,131
Consumer	43,130	-	782	-	43,912
Total	$1,455,214	$48,829	$56,931	$-	$1,560,974

Loans by performance status as of June 30, 2011 were as follows:

	Performing	Nonperforming	Total
Commercial, financial and agricultural	$ 633,311	$ 1,056	$ 634,367
Real estate - construction	142,028	17,536	159,564
Real estate - mortgage:			
Owner-occupied commercial	301,923	1,281	303,204
1-4 family mortgage	208,561	878	209,439
other mortgage	210,488	-	210,488
Total real estate - mortgage	720,972	2,159	723,131
Consumer	43,538	374	43,912
Total	$ 1,539,849	$ 21,125	$ 1,560,974

Loans by past-due status as of June 30, 2011 were as follows:

	Days Past Due Status (Accruing Loans)						
	30-59	60-89	90+	Total	Nonaccrual	Current	Total Loans
Commercial, financial and agricultural	$683	$162	$542	$1,387	$514	$632,466	$634,367
Real estate - construction	701	2,147	-	2,848	17,536	139,180	159,564
Real estate - mortgage:							
Owner-occupied commercial	1,603	-	-	1,603	1,281	300,320	303,204
1-4 family mortgage	1,357	-	-	1,357	878	207,204	209,439
Other mortgage	731	-	-	731	-	209,757	210,488
Total real estate - mortgage	3,691	-	-	3,691	2,159	717,281	723,131
Consumer	1	3	-	4	374	43,534	43,912
Total	$5,076	$2,312	$542	$7,930	$20,583	$1,532,461	$1,560,974

The following table presents an analysis of the allowance for loan losses by portfolio segment as of June 30, 2011 and December 31, 2010. 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 agricultural	Real estate - construction	Real estate - mortgage	Consumer	Unallocated	Total
	Three Months Ended June 30, 2011					
Allowance for loan losses:						
Balance at March 31, 2011	$6,226	$6,285	$2,523	$603	$3,589	$19,226
Chargeoffs	(310)	(1,021)	(15)	(5)	-	(1,351)
Recoveries	-	74	1	72	-	147
Provision	(107)	1,130	676	(104)	(101)	1,494
Balance at June 30, 2011	5,809	6,468	3,185	566	3,488	19,516
	Six Months Ended June 30, 2011					
Allowance for loan losses:						
Balance at December 31, 2010	$5,348	$6,373	$2,443	$749	$3,164	$18,077
Chargeoffs	(860)	(1,321)	(15)	(329)	-	(2,525)
Recoveries	-	165	1	73	-	239
Provision	1,321	1,251	756	73	324	3,725
Balance at June 30, 2011	5,809	6,468	3,185	566	3,488	19,516
	June 30, 2011					
Individually evaluated for impairment	$1,228	$2,497	$896	$324	$-	$4,945
Collectively evaluated for impairment	4,581	3,971	2,289	242	3,488	14,571
Loans:						
Ending balance	$634,367	$159,564	$723,131	$43,912		$1,560,974
Individually evaluated for impairment	9,698	31,706	14,745	782		56,931
Collectively evaluated for impairment	624,669	127,858	708,386	43,130		1,504,043

	December 31, 2010					
	Commercial, financial and agricultural	Real estate – construction	Real estate – mortgage	Consumer	Unallocated	Total
Allowance for loan losses	5,348	6,373	2,443	749	3,164	18,077
Individually evaluated for impairment	$1,602	$1,855	$415	$554	$-	$4,426
Collectively evaluated for impairment	3,746	4,518	2,028	195	3,164	13,651

Loans:						
Ending balance	$536,620	$172,055	$648,796	$37,347		$1,394,818
Individually evaluated for impairment	14,018	28,710	15,093	1,319		59,140
Collectively evaluated for impairment	522,602	143,345	633,703	36,028		1,335,678

The following tables present details of the Company’s impaired loans as of June 30, 2011 and December 31, 2010, respectively. Loans which have been fully charged off do not appear in the tables.

June 30, 2011

	Recorded Investment	Unpaid Principal Balance	Related Allowance	For the three months ended June 30, 2011 Average Recorded Investment	For the three months ended June 30, 2011 Interest Income Recognized in Period	For the six months ended June 30, 2011 Average Recorded Investment	For the six months ended June 30, 2011 Interest Income Recognized in Period
With no allowance recorded:							
Commercial, financial and agricultural	$1,790	$2,563	$-	$1,870	$21	$1,829	$40
Real estate - construction	18,631	19,124	-	18,823	107	18,975	215
Real estate - mortgage:							
Owner-occupied commercial	3,006	3,156	-	3,017	39	3,026	92
1-4 family mortgage	503	503	-	503	3	504	7
Other mortgage	2,177	2,177	-	2,130	29	2,025	60
Total real estate - mortgage	5,686	5,836	-	5,650	71	5,555	159
Consumer	-	-	-	-	-	-	-
Total with no allowance recorded	26,107	27,523	-	26,343	199	26,359	414
With an allowance recorded:							
Commercial, financial and agricultural	5,999	5,999	1,228	6,720	92	6,886	174
Real estate - construction	12,278	12,573	2,497	12,559	33	12,849	104
Real estate - mortgage:							
Owner-occupied commercial	2,858	2,858	84	2,822	51	2,811	69
1-4 family mortgage	3,608	3,608	812	3,705	58	3,738	77
Other mortgage	340	340	-	342	7	341	12
Total real estate - mortgage	6,806	6,806	896	6,869	116	6,890	158
Consumer	547	567	324	547	1	631	3
	25,630	25,945	4,945	26,695	242	27,256	439

Total with allowance recorded							
Total Impaired Loans:							
Commercial, financial and agricultural	7,789	8,562	1,228	8,590	113	8,715	214
Real estate - construction	30,909	31,697	2,497	31,382	140	31,824	319
Real estate - mortgage:							
Owner-occupied commercial	5,864	6,014	84	5,839	90	5,837	161
1-4 family mortgage	4,111	4,111	812	4,208	61	4,242	84
Other mortgage	2,517	2,517	-	2,472	36	2,366	72
Total real estate - mortgage	12,492	12,642	896	12,519	187	12,445	317
Consumer	547	567	324	547	1	631	3
Total impaired loans	$51,737	$53,468	$4,945	$53,038	$441	$53,615	$853

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December 31, 2010	Recorded Investment	Unpaid Principal Balance	Related Allowance
With no allowance recorded:			
Commercial, financial and agricultural	$ 2,345	$ 2,930	$ -
Real estate - construction	10,532	12,705	-
Real estate - mortgage:			
Owner-occupied commercial	1,614	1,801	-
1-4 family mortgage	511	511	-
Other mortgage	1,817	1,817	-
Total real estate - mortgage	3,942	4,129	-
Consumer	289	289	-
Total with no allowance recorded	17,108	20,053	-
With an allowance recorded:			
Commercial, financial and agricultural	9,190	9,190	1,602
Real estate - construction	18,178	18,428	1,855
Real estate - mortgage:			
Owner-occupied commercial	3,373	3,373	55
1-4 family mortgage	2,995	2,995	360
Other mortgage	-	-	-
Total real estate - mortgage	6,368	6,368	415
Consumer	704	704	554
Total with allowance recorded	34,440	34,690	4,426
Total Impaired Loans:			
Commercial, financial and agricultural	11,535	12,120	1,602
Real estate - construction	28,710	31,133	1,855
Real estate - mortgage:			
Owner-occupied commercial	4,988	5,174	55
1-4 family mortgage	3,506	3,506	360
Other mortgage	1,817	1,817	-
Total real estate - mortgage	10,311	10,497	415
Consumer	993	993	554
Total impaired loans	$ 51,549	$ 54,743	$ 4,426

At June 30, 2011 and December 31, 2010, loans classified as troubled debt restructurings (“TDRs”) totaled $5.1 million and $2.4 million, respectively. At June 30, 2011, the Company had a related allowance for loan losses of $465,000 allocated to these TDRs, compared to $486,000 at December 31, 2010. All loans classified as TDRs as of June 30, 2011 are performing as agreed under the terms of their restructured plans.

NOTE 6 - EMPLOYEE AND DIRECTOR BENEFITS

Stock Options

At June 30, 2011, the Company had stock-based compensation plans, as described below. The compensation cost that has been charged to earnings for the plans was approximately $240,000 and $465,000 for three and six months ended June 30, 2011 and $180,000 and $314,000 for the three and six months ended June 30, 2010, respectively.

The Company’s 2005 Amended and Restated Stock Option Plan allows for the grant of stock options to purchase up to 1,025,000 shares of the Company’s common stock. The Company’s 2009 Stock Incentive Plan authorizes the grant of up to 425,000 shares and allows for the issuance of Stock Appreciation Rights, Restricted Stock, Stock Options, Non-stock Share Equivalents, Performance Shares or Performance Units. Both plans allow for the grant of incentive stock options and non-qualified stock options, and awards are generally granted with an exercise price equal to the estimated fair market value of the Company’s common stock at the date of grant. The maximum term of the options granted under the plans is ten years.

The Company has granted non-plan options to certain persons representing key business relationships to purchase up to an aggregate amount of 55,000 shares of the Company’s common stock at between $15.00 and $20.00 per share for 10 years. These options are non-qualified and not part of either Plan.

The Company estimates the fair value of each stock option award using a Black-Scholes-Merton valuation model that uses the assumptions noted in the following table. Expected volatilities are based on an index of southeastern United States publicly traded banks. The expected term for options granted is based on the short-cut method and represents the period of time that options granted are expected to be outstanding. The risk-free rate for periods within the contractual life of the option is based on the U. S. Treasury yield curve in effect at the time of grant.

	2011		2010	
Expected volatility	29.00	%	25.00	%
Expected dividends	0.50	%	0.50	%
Expected term (in years)	7 years		7 years	
Risk-free rate	2.70	%	2.32	%

The weighted average grant-date fair value of options granted during the six months ended June 30, 2011 and 2010 was $8.54 and $7.43, respectively.

The following table summarizes stock option activity during the six months ended June 30, 2011 and 2010:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (In Thousands)
Six Months Ended June 30, 2011:				
Outstanding at January 1, 2011	881,000	$ 15.65	6.9	$ 8,238
Granted	166,500	26.05	9.6	-
Exercised	(5,000)	10.50	4.4	-
Forfeited	-	-	-	-
Outstanding at June 30, 2011	1,042,500	17.34	6.2	$ 13,203
Exercisable at June 30, 2011	332,459	$ 12.71	4.8	$ 5,748
Six Months Ended June 30, 2010:				
Outstanding at January 1, 2010	833,500	$ 15.00	6.8	$ 8,333
Granted	11,000	25.00	9.6	-
Exercised	-	-	-	-
Forfeited	(10,000)	15.00	6.7	-
Outstanding at June 30, 2010	834,500	15.13	6.4	$ 8,238
Exercisable at June 30, 2010	249,696	$ 11.33	5.5	$ 3,413

Restricted Stock

The Company has issued restricted stock to a certain executive officer and five other employees, and currently has 26,000 non-vested shares issued. The value of restricted stock awards is determined to be the current value of the Company's stock, and this total value will be recognized as compensation expense over the vesting period, which is five years from the date of grant. As of June 30, 2011, there was $510,000 of total unrecognized compensation cost related to non-vested restricted stock. The cost is expected to be recognized evenly over the remaining 3.5 years of the restricted stock's vesting period.

Stock Warrants

In recognition of the efforts and financial risks undertaken by the organizers of ServisFirst Bank (the "Bank") in 2005, the Bank granted warrants to organizers to purchase a total 60,000 shares of common stock at a price of $10, which was the fair market value of the Bank's common stock at the date of the grant. The warrants became warrants to purchase a like number of shares of the Company's common stock upon the formation of the Company as a holding company for the Bank. The warrants vest in equal annual increments over a three-year period commencing on the first anniversary date of the Bank's incorporation and will terminate on the tenth anniversary of the incorporation date. The total number of these warrants outstanding at June 30, 2011 and 2010 was 60,000.

The Company issued warrants for 75,000 shares of common stock at a price of $25 per share in the third quarter of 2008. These warrants were issued in connection with the trust preferred securities that are discussed in detail in Note 10.

The Company issued warrants for 15,000 shares of common stock at a price of $25 per share in the second quarter of 2009. These warrants were issued in connection with the issuance and sale of the Bank's 8.25% Subordinated Note discussed in detail in Note 12.

NOTE 7 - DERIVATIVES

During 2008, the Company entered into interest rate swaps ("swaps") to facilitate customer transactions and meet customer financing needs. Upon entering into these swaps, the Company entered into offsetting positions with a regional correspondent bank in order to minimize the risk to the Company. As of June 30, 2011, the Company was party to two swaps with notional amounts totaling approximately $11.7 million with customers, and two swaps with notional amounts totaling approximately $11.7 million with a regional correspondent bank. These swaps qualify as derivatives, but are not designated as hedging instruments. The Company has recorded the value of these swaps at $724,000 in offsetting entries in other assets and other liabilities.

During 2010 the Company entered into an interest rate cap with a notional value of $100 million. The cap has a strike rate of 2.00% and is indexed to the three month London Interbank Offered Rate ("LIBOR"). The cap does not qualify for hedge accounting treatment, and is marked to market, with changes in market value reflected in interest expense. The Company recognized $38,000 and $99,000 of interest expense related to marking the cap to market for the three and six months ended June 30, 2011, respectively.

The Company has entered into agreements with secondary market investors to deliver loans on a "best efforts delivery" basis. When a rate is committed to a borrower, it is based on the best price that day and locked with the investor for the customer for a 30-day period. In the event the loan is not delivered to the investor, the Company has no risk or exposure with the investor. The interest rate lock commitments related to loans that are originated for later sale are classified as derivatives. The fair values of the Company's agreements with investors and rate lock commitments to customers as of June 30, 2011 and December 31, 2010 were not material.

NOTE 8 - RECENT ACCOUNTING PRONOUNCEMENTS

In April 2011, the FASB issued ASU No. 2011-02, Receivables (Topic 310): A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring, which provides guidance on determining whether a restructuring of a receivable meets the criteria to be considered a TDR. The new guidance is required to be adopted for the first interim or annual reporting period beginning after June 15, 2011, and is to be applied retrospectively to the beginning of the annual reporting period of adoption. The adoption of this ASU is not expected to have a material impact to the Company's financial position or results of operations.

In April 2011, the FASB issued ASU No. 2011-03, Transfers and Servicing (Topic 860): Reconsideration of Effective Control for Repurchase Agreements, which removes from the assessment of effective control the criterion relating to the transferor's ability to repurchase or redeem financial assets on substantially the agreed-upon terms, even in the event of default by the transferee. The amendments in this ASU also eliminate the requirement to demonstrate that the transferor possesses adequate collateral to fund substantially all the cost of purchasing replacement assets. The amendments in this ASU are effective for interim and annual periods beginning after December 31, 2011, with prospective application to transactions or modifications of existing transactions that occur on or after the effective date. Early adoption is not permitted. The Company will adopt these amendments when required, and does not anticipate that the ASU will have an impact on its financial position or results of operations.

In May 2011, The FASB issued ASU No. 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS, which outlines the collaborative effort of the FASB and the International Accounting Standards Board ("IASB") to consistently define fair value and to come up with a set of consistent disclosures for fair value. The amendments in this ASU explain how to measure fair value. They do not require additional fair value measurements and are not intended to establish valuation standards or affect valuation practices outside of financial reporting. The amendments in this ASU are to be applied prospectively. For public entities, the amendments are effective for interim and annual periods beginning after December 31, 2011. Early application is not permitted. The Company will adopt these amendments when required, and does not believe the application will have a material effect on its financial position or results of operations.

In June 2011, the FASB issued ASU No. 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income, which amends existing standards to allow an entity the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. Under both options, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. Any changes pursuant to the options allowed in the amendments should be applied retrospectively. For public entities, the amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. Early adoption is permitted. The Company is evaluating its timing of adoption, but will adopt it retrospectively by the effective date.

NOTE 9 - FAIR VALUE MEASUREMENT

Measurement of fair value under U.S. GAAP establishes a hierarchy that prioritizes observable and unobservable inputs used to measure fair value, as of the measurement date, into three broad levels, which are described below:

Level 1:	Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
Level 2:	Observable prices that are based on inputs not quoted on active markets, but corroborated by market data.
Level 3:	Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible, and also considers counterparty credit risk in its assessment of fair value.

Securities – Where quoted prices are available in an active market, securities are classified within Level 1 of the hierarchy. Level 1 securities include highly liquid government securities such as U.S. Treasuries and exchange-traded equity securities. For securities traded in secondary markets for which quoted market prices are not available, the Company generally relies on prices obtained from independent vendors. Securities measured with these techniques are classified within Level 2 of the hierarchy and often involve using quoted market prices for similar securities, pricing models or discounted cash flow calculations using inputs observable in the market where available. Examples include U.S. government agency securities, mortgage-backed securities, obligations of states and political subdivisions, and certain corporate, asset-backed and other securities. In cases where Level 1 or Level 2 inputs are not available, securities are classified in Level 3 of the hierarchy.

Interest Rate Swap and Cap Agreements – The fair value is estimated by a third party using inputs that are observable or that can be corroborated by observable market data and, therefore, are classified within Level 2 of the hierarchy. These fair value estimations include primarily market observable inputs such as yield curves and option volatilities, and include the value associated with counterparty credit risk.

Impaired Loans- Impaired loans are measured and reported at fair value when full payment under the loan terms is not expected. Impaired loans are carried at the present value of estimated future cash flows using the loan's existing rate or the fair value of the collateral if the loan is collateral-dependent. Impaired loans are subject to nonrecurring fair value adjustment upon initial recognition or subsequent impairment. A portion of the allowance for loan losses is allocated to impaired loans if the value of such loans is deemed to be less than the unpaid balance. The amount recognized as an impairment charge related to impaired loans that are measured at fair value on a nonrecurring basis was $1,508,000 and $3,135,000 during the three and six months ended June 30, 2011, respectively, and $1,244,000 and $3,852,000 during the three and six months ended June 30, 2010, respectively. Impaired loans are classified within Level 3 of the hierarchy.

Other real estate owned – Other real estate assets ("OREO") acquired through, or in lieu of, foreclosure are held for sale and are initially recorded at the lower of cost or fair value, less selling costs. Any write-downs to fair value at the time of transfer to OREO are charged to the allowance for loan losses subsequent to foreclosure. Values are derived from appraisals of underlying collateral and discounted cash flow analysis. The amount charged to earnings was $144,000 and $91,000 during the three and six months ended June 30, 2011 and $558,000 and $659,000 during the three and six months ended June 30, 2010, respectively. These charges were for write-downs in the value of OREO subsequent to foreclosure and losses on the disposal of OREO. OREO is classified within Level 3 of the hierarchy.

The following table presents the Company's financial assets and financial liabilities carried at fair value on a recurring basis as of June 30, 2011 and December 31, 2010:

	Fair Value Measurements at June 30, 2011 Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets Measured on a Recurring Basis:	(In Thousands)			
Available-for-sale securities	$-	$ 230,671	$ -	$230,671
Interest rate swap agreements	-	724	-	724
Interest rate cap	-	16		16
Total assets at fair value	$-	$ 231,411	$ -	$231,411
Liabilities Measured on a Recurring Basis:				
Interest rate swap agreements	$-	$ 724	$ -	$724

	Fair Value Measurements at December 31, 2010 Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets Measured on a Recurring Basis:	(In Thousands)			
Available-for-sale securities	$-	$ 276,959	$ -	$276,959
Interest rate swap agreements	-	803		803
Interest rate cap	-	115	-	115
Total assets at fair value	$-	$ 277,877	$ -	$277,877
Liabilities Measured on a Recurring Basis:				
Interest rate swap agreements	$-	$ 803	$ -	$803

The following table presents the Company's financial assets and financial liabilities carried at fair value on a nonrecurring basis as of June 30, 2011:

	Fair Value Measurements at June 30, 2011 Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets Measured on a Nonrecurring Basis:		(In Thousands)		
Impaired loans	$-	$ -	$ 6,417	$6,417
Other real estate owned	-	-	6,931	6,931
Total assets at fair value	$-	$ -	$ 13,348	$13,348

	Fair Value Measurements at December 31, 2010 Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets Measured on a Nonrecurring Basis:		(In Thousands)		
Impaired loans	$-	$ -	$ 35,183	$35,183
Other real estate owned	-	-	6,966	6,966
Total assets at fair value	$-	$ -	$ 42,149	$42,149

The fair value of a financial instrument is the current amount that would be exchanged in a sale between willing parties, other than in a forced liquidation. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Company's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. Current U.S. GAAP excludes certain financial instruments and all nonfinancial instruments from its fair value disclosure requirements. Accordingly, the aggregate fair value amounts presented may not necessarily represent the underlying fair value of the Company.

The carrying amount and estimated fair value of the Company's financial instruments, including those that are not measured and reported at fair value on a recurring basis or nonrecurring basis, at June 30, 2011 and December 31, 2010 were as follows:

	June 30, 2011		December 31, 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In Thousands)			
Financial Assets:				
Cash and cash equivalents	$ 197,455	$ 197,455	$ 231,978	$ 231,978
Investment securities available for sale	230,671	230,671	276,959	276,959
Investment securities held to maturity	13,895	14,232	5,234	4,963
Restricted equity securities	3,899	3,899	3,510	3,510
Mortgage loans held for sale	4,092	4,092	7,875	7,875
Loans, net	1,541,458	1,545,710	1,376,741	1,388,154
Accrued interest and dividends receivable	6,847	6,847	6,990	6,990
Derivatives	740	740	918	918
Financial Liabilities:				
Deposits	$ 1,803,874	$ 1,807,300	$ 1,758,716	$ 1,761,906
Borrowings	4,945	5,243	24,937	25,717
Trust preferred securities	30,490	27,384	30,420	27,989
Accrued interest payable	983	983	898	898
Derivatives	724	724	803	803

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents: The carrying amounts reported in the statements of financial condition for cash and cash equivalents approximate those assets' fair values.

Investment securities: Fair values for investment securities are based on quoted market prices, where available. If a quoted market price is not available, fair value is based on quoted market prices of comparable instruments.

Restricted equity securities: Fair values for other investments are considered to be their cost.

Loans: For variable-rate loans that re-price frequently and with no significant change in credit risk, fair value is based on carrying amounts. The fair value of other loans (for example, fixed-rate commercial real estate loans, mortgage loans, and industrial loans) is estimated using discounted cash flow analysis, based on interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. Loan fair value estimates include judgments regarding future expected loss experience and risk characteristics. The method of estimating fair value does not incorporate the exit-price concept of fair value as prescribed by FASB Accounting Standards Compilation (ASC) 820 and generally produces a higher value than an exit-price approach. Fair value for impaired loans is estimated using discounted cash flow analysis, or underlying collateral values, where applicable.

Mortgage loans held for sale: Loans are committed to be delivered to investors on a "best efforts delivery" basis within 30 days of origination. Due to this short turn-around time, the carrying amounts of the Company's agreements approximate their fair values.

Derivatives: The fair values of the derivative agreements are based on quoted prices from an outside third party.

Accrued interest and dividends receivable: The carrying amount of accrued interest and dividends receivable approximates its fair value.

Deposits: The fair values disclosed for demand deposits are, by definition, equal to the amount payable on demand at the reporting date (that is, their carrying amounts). The carrying amounts of variable-rate, fixed-term money market accounts and certificates of deposit approximate their fair values. Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation.

Federal funds purchased: The carrying amounts of federal funds purchased approximate their market value.

Other borrowings: The fair values of other borrowings are estimated using discounted cash flow analysis, based on interest rates currently being offered by the Federal Home Loan Bank for borrowings of similar terms as those being valued.

Trust preferred securities: The fair values of trust preferred securities are estimated using a discounted cash flow analysis, based on interest rates currently being offered on the best alternative debt available at the measurement date.

Accrued interest payable: The carrying amount of accrued interest payable approximates its fair value.

Loan commitments: The fair values of the Company's off-balance sheet financial instruments are based on fees currently charged to enter into similar agreements. Since the majority of the Company's other off-balance-sheet instruments consist of non-fee-producing, variable-rate commitments, the Company has determined they do not have a distinguishable fair value.

NOTE 10 - SUBORDINATED DEFERRABLE INTEREST DEBENTURES

On September 2, 2008, ServisFirst Capital Trust I, a subsidiary of the Company (the "2008 Trust"), sold 15,000 shares of its 8.5% trust preferred securities to accredited investors for $15,000,000 or $1,000 per share and 463,918 shares of its common securities to the Company for $463,918 or $1.00 per share. The 2008 Trust invested the $15,463,918 of the proceeds from such sale in the Company's 8.5% junior subordinated deferrable interest debenture due September 1, 2038 in the principal amount of $15,463,918 (the "Debenture"). The Debenture bears a fixed rate of interest at 8.5% per annum and is subordinate and junior in right of payment to all of the Company's senior debt; provided, however, the Company will not incur any additional senior debt in excess of 0.5% of the Company's average assets for the fiscal year immediately preceding, unless such incurrence is approved by a majority of the holders of the outstanding trust preferred securities.

Holders of the trust preferred securities are entitled to receive distributions accruing from the original date of issuance. The distributions are payable quarterly in arrears on December 1, March 1, June 1 and September 1 of each year, commencing December 1, 2008. The distributions accrue at an annual fixed rate of 8.5%. Payments of distributions on the trust preferred securities will be deferred in the event interest payments on the Debenture is deferred, which may occur at any time and from time to time, for up to 20 consecutive quarterly periods. During any deferral period, the Company may not pay dividends or make certain other distributions or payments as provided for in the Indenture. If payments are deferred, holders accumulate additional distributions thereon at 8.5%, compounded quarterly, to the extent permitted by law.

In addition, the Company issued a total of 75,000 warrants, each with the right to purchase one share of the Company's common stock for a purchase price of $25.00. The warrants were issued in increments of 500 for each $100,000 of trust preferred securities purchased. Each warrant is exercisable for a period beginning upon its date of issuance and ending upon the later to occur of either (i) September 1, 2013 or (ii) 60 days following the date upon which the Company's common stock becomes listed for trading upon a "national securities exchange" as defined under the Securities Exchange Act of 1934. The Company estimated the fair value of each warrant using a Black-Scholes-Merton valuation model and determined the fair value per warrant to be $5.65. This total value of $423,000 was recorded as a discount and reduced the net book value of the debentures to $15,052,000 with an offsetting increase to the Company's additional paid-in capital. The discount will be amortized over a three-year period.

The trust preferred securities are subject to mandatory redemption upon repayment of the Debenture at its maturity, September 1, 2038, or its earlier redemption. The Debenture is redeemable by the Company (i) prior to September 1, 2011, in whole upon the occurrence of a Special Event, as defined in the Indenture, or (ii) in whole or in part on or after September 1, 2011 for any reason. In the event of the redemption of the trust preferred securities prior to September 1, 2011, the holders of the trust preferred securities will be entitled to $1,050 per share, plus accumulated and unpaid distributions thereon (including accrued interest thereon), if any, to the date of payment. In the event of the redemption of the trust preferred securities on or after September 1, 2011, the holders of the trust preferred securities will be entitled to receive $1,000 per share plus accumulated and unpaid distributions thereon (including accrued interest thereon), if any, to the date of payment.

The Company has the right at any time to terminate the 2008 Trust and cause the Debenture to be distributed to the holders of the trust preferred securities in liquidation of the Trust. This right is optional and wholly within the Company's discretion as set forth in the Indenture.

Payment of periodic cash distributions and payment upon liquidation or redemption with respect to the trust preferred securities are guaranteed by the Company to the extent of funds held by the Trust (the "Preferred Securities Guarantee"). The Preferred Securities Guarantee, when taken together with the Company's other obligations under the debentures, constitutes a full and unconditional guarantee, on a subordinated basis, by the Company of payments due on the trust preferred securities.

The Company is required by the Federal Reserve Board to maintain certain levels of capital for bank regulatory purposes. The Federal Reserve Board has determined that certain cumulative preferred securities having the characteristics of trust preferred securities qualify as minority interests, which is included in Tier 1 capital for bank and financial holding companies. In calculating the amount of Tier 1 qualifying capital, the trust preferred securities can only be included up to the amount constituting 25% of total Tier 1 capital elements (including trust preferred securities). Such Tier 1 capital treatment provides the Company with a more cost-effective means of obtaining capital for bank regulatory purposes than if the Company were to issue preferred stock.

NOTE 11 – JUNIOR SUBORDINATED MANDATORY CONVERTIBLE DEFERRABLE INTEREST DEBENTURES DUE MARCH 15, 2040

On February 9, 2010 the Company established a new Delaware statutory trust subsidiary, ServisFirst Capital Trust II (the "2010 Trust"), which issued 15,000 shares of its 6.0% Mandatory Convertible Trust Preferred Securities (the "Preferred Securities") for $15,000,000, or $1,000 per Preferred Security, on March 15, 2010. The 2010 Trust simultaneously issued 50,000 shares of its common securities to the Company for a purchase price of $50,000, or $1.00 per share, which together with the Preferred Securities, constitutes all of the issued and outstanding securities of the 2010 Trust (collectively, the "Trust Securities"). The 2010 Trust invested all of the proceeds from the sale of the Trust Securities in the Company's 6.0% Junior Subordinated Mandatory Convertible Deferrable Interest Debentures due March 15, 2040 in the principal amount of $15,050,000 (the "Subordinated Debentures"). The Preferred Securities were offered and sold to accredited investors in a private placement.

Holders of the Preferred Securities are entitled to receive distributions accruing from March 15, 2010, and payable quarterly in arrears on March 15, June 15, September 15 and December 15 of each year, commencing June 15, 2010 unless the Company defers interest payments on the Subordinated Debentures. Distributions accrue at an annual rate equal to 6.0% of the liquidation amount of $1,000 per Preferred Security. The rate and the distribution dates for the Preferred Securities correspond to the interest rate and payment dates on the Subordinated Debentures, which constitute substantially all the assets of the 2010 Trust. As a result, if principal or interest is not paid on the Subordinated Debentures, no corresponding amounts will be paid on the Preferred Securities. The 2010 Trust also pays a distribution on the common securities at an annual rate of 6.0% of the purchase price of the common securities, but such payments are financially immaterial since they simply represent a return of funds to the Company.

The Subordinated Debentures are subordinate and junior in right of payment to all of the Company's senior debt, as defined in the Indenture (as defined below); provided, however, that, while any of the Preferred Securities remain outstanding, the Company shall not incur any additional senior debt in excess of 0.5% of the Company's average assets for the fiscal year immediately preceding, unless approved by the holders of a majority of the outstanding Preferred Securities. The Company has the right to defer payments of interest on the Subordinated Debentures from time to time, for up to 20 consecutive quarterly periods for each deferral period. During any deferral period, the Company may not (i) pay dividends on or redeem any of its capital stock, (ii) pay principal of or interest on any debt securities ranking pari passu with or subordinate to the Subordinated Debentures or (iii) make any guaranty payments with respect to any guaranty of the debt securities of any of the Company's subsidiaries if such guaranty ranks pari passu with or junior in right of payment to the Subordinated Debentures.

If not previously redeemed or converted into common stock of the Company, the Preferred Securities will automatically and mandatorily convert into common stock of the Company on March 15, 2013 at a conversion price of $25 per share of common stock. In addition to such mandatory conversion, the Preferred Securities may be converted into common stock of the Company at the option of the holder at any time prior to the earliest to occur of maturity, redemption or mandatory conversion at the same conversion price.

The Preferred Securities are subject to mandatory redemption upon repayment of the Subordinated Debentures at their stated maturity (as defined in the Indenture), or upon earlier redemption of the Subordinated Debentures. The Subordinated Debentures are redeemable by the Company at any time in whole, but not in part, upon the occurrence of a special event, as defined in the Indenture.

The Company has the right at any time to terminate the 2010 Trust and cause the Subordinated Debentures to be distributed to the holders of the Preferred Securities in liquidation of the 2010 Trust. This right is optional and wholly within the Company's discretion.

The Company is required by the Federal Reserve Board to maintain certain levels of capital for bank regulatory purposes. The Federal Reserve Board has determined that certain cumulative preferred securities having the characteristics of trust preferred securities qualify as minority interests, which is included in Tier 1 capital for bank and financial holding companies. In calculating the amount of Tier 1 qualifying capital, the trust preferred securities can only be included up to the amount constituting 25% of total Tier 1 capital elements (including trust preferred securities). Such Tier 1 capital treatment provides the Company with a more cost-effective means of obtaining capital for bank regulatory purposes than if the Company were to issue preferred stock.

NOTE 12 - SUBORDINATED NOTE DUE SEPTEMBER 1, 2016

On June 23, 2009, the Bank issued $5,000,000 aggregate principal amount of its 8.25% Subordinated Note due June 1, 2016 to an accredited investor at 100% of par. The note is subordinate and junior in right of payment upon any liquidation of the Bank as to principal, interest and premium to obligations to the Bank's depositors and other obligations to its general and secured creditors. Interest payments are due and payable on each September 1, December 1, March 1 and June 1, commencing on September 1, 2009. Interest accrues at an annual rate of 8.25%. The proceeds from the note payable are included in Tier 2 capital of the Bank and the Company.

In addition, the Company issued to the investor a total of 15,000 warrants, each representing the right to purchase one share of the Company's common stock for a purchase price of $25.00. Each warrant is exercisable for a period beginning upon its date of issuance and ending on June 1, 2016. The Company estimated the fair value of each warrant using a Black-Scholes-Merton valuation model and determined the fair value per warrant to be $5.41. This total value of $86,000 was recorded as a discount and reduced the net book value of the debentures to $4,914,000 with an offsetting increase to the Company's additional paid-in capital. The discount will be amortized over a five-year period.

NOTE 13 – PARTICIPATION IN THE SMALL BUSINESS LENDING FUND OF THE U.S. TREASURY DEPARTMENT

On June 21, 2011, the Company entered into a Securities Purchase Agreement with the Secretary of the Treasury, pursuant to which the Company issued and sold to the Treasury 40,000 shares of its Senior Non-Cumulative Perpetual Preferred Stock, Series A, having a liquidation preference of $1,000 per share, for aggregate proceeds of $40,000,000. The issuance was pursuant to the Treasury's Small Business Lending Fund program, a $30 billion fund established under the Small Business Jobs Act of 2010, which encourages lending to small businesses by providing capital to qualified community banks with assets of less than $10 billion. The Series A Preferred Stock is entitled to receive non-cumulative dividends payable quarterly on each January 1, April 1, July 1 and October 1, beginning October 1, 2011. The dividend rate, which is calculated on the aggregate Liquidation Amount, has been initially set at 1% per annum based upon the current level of "Qualified Small Business Lending" ("QSBL") by the Bank. The dividend rate for future dividend periods will be set based upon the percentage change in qualified lending between each dividend period and the baseline QSBL level established at the time the Agreement was entered into. Such dividend rate may vary from 1% per annum to 5% per annum for the second through tenth dividend periods, from 1% per annum to 7% per annum for the eleventh through the first half of the nineteenth dividend periods. If the Series A Preferred Stock remains outstanding for more than four-and-one-half years, the dividend rate will be fixed at 9%. Prior to that time, in general, the dividend rate decreases as the level of the Bank's QSBL increases. Such dividends are not cumulative, but the Company may only declare and pay dividends on its common stock (or any other equity securities junior to the Series A Preferred Stock) if it has declared and paid dividends for the current dividend period on the Series A Preferred Stock, and will be subject to other restrictions on its ability to repurchase or redeem other securities. In addition, if (i) the Company has not timely declared and paid dividends on the Series A Preferred Stock for six dividend periods or more, whether or not consecutive, and (ii) shares of Series A Preferred Stock with an aggregate liquidation preference of at least $25,000,000 are still outstanding, the Treasury (or any successor holder of Series A Preferred Stock) may designate two additional directors to be elected to the Company's Board of Directors.

As more completely described in the Certificate of Designation, holders of the Series A Preferred Stock have the right to vote as a separate class on certain matters relating to the rights of holders of Series A Preferred Stock and on certain corporate transactions. Except with respect to such matters and, if applicable, the election of the additional directors described above, the Series A Preferred Stock does not have voting rights.

The Company may redeem the shares of Series A Preferred Stock, in whole or in part, at any time at a redemption price equal to the sum of the Liquidation Amount per share and the per-share amount of any unpaid dividends for the then-current period, subject to any required prior approval by the Company's primary federal banking regulator.

NOTE 14 – PRIVATE PLACEMENT OF COMMON STOCK

On June 30, 2011, the Company completed the sale of 340,000 shares of its common stock in a private placement to 105 accredited investors and 20 non-accredited investors for $30.00 per share, for aggregate proceeds of $10,200,000. The private placement was in conjunction with the Company's entry into the Pensacola, Florida market. The offering, completed on June 30, 2011, was exempt from registration under the Securities Act of 1933, and no underwriter or placement agent was involved in the private placement.

NOTE 15 – SUBSEQUENT EVENTS

The Company has evaluated all subsequent events through the date of this filing to ensure that this Form 10-Q includes appropriate disclosure of events both recognized in the financial statements as of June 30, 2011, and events which occurred subsequent to June 30, 2011 but were not recognized in the financial statements. As of the date of this filing, there were no subsequent events which required recognition or disclosure.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis is designed to provide a better understanding of various factors relating to the results of operations and financial condition of ServisFirst Bancshares, Inc. (the "Company") and its wholly owned subsidiary, ServisFirst Bank (the "Bank"). This discussion is intended to supplement and highlight information contained in the accompanying unaudited consolidated financial statements as of June 30, 2011 and for the three and six months ended June 30, 2011 and 2010.

Forward-Looking Statements

Statements in this document that are not historical facts, including, but not limited to, statements concerning future operations, results or performance, are hereby identified as "forward-looking statements" for the purpose of the safe harbor provided by Section 21E of the Securities Exchange Act of 1934 and Section 27A of the Securities Act of 1933. The words "believe," "expect," "anticipate," "project," "plan," "intend," "will," "would," "might" and similar expres signify forward-looking statements. Such statements involve inherent risks and uncertainties. ServisFirst Bancshares, Inc. cautions that such forward-looking statements, wherever they occur in this press release or in other statements attributable to ServisFirst Bancshares, Inc., are necessarily estimates reflecting the judgment of ServisFirst Bancshares, Inc.'s senior management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. Such forward-looking statements should, therefore, be considered in light of various factors that could affect the accuracy of such forward-looking statements, including: general economic conditions, especially in the credit markets and in the Southeast; the performance of the capital markets; changes in interest rates, yield curves and interest rate spread relationships; changes in accounting and tax principles, policies or guidelines; changes in legislation or regulatory requirements; changes in our loan portfolio and the deposit base, possible changes in laws and regulations and governmental monetary and fiscal policies, including, but not limited to, economic stimulus initiatives and so-called "bailout" initiatives; the cost and other effects of legal and administrative cases and similar contingencies; possible changes in the creditworthiness of customers and the possible impairment of the collectability of loans and the value of collateral; the effect of natural disasters, such as hurricanes, in our geographic markets; and increased competition from both banks and non-banks. The foregoing list of factors is not exhaustive. For discussion of these and other risks that may cause actual results to differ from expectations, please refer to "Risk Factors" in our most recent Annual Report on Form 10-K and our other SEC filings. If one or more of the factors affecting our forward-looking information and statements proves incorrect, then our actual results, performance or achievements could differ materially from those expressed in, or implied by, forward-looking information and statements contained herein. Accordingly, you should not place undue reliance on any forward-looking statements, which speak only as of the date made.

Business

We are a bank holding company under the Bank Holding Company Act of 1956 incorporated in Delaware and headquartered at 850 Shades Creek Parkway, Birmingham, Alabama 35209 (Jefferson County). Through the Bank, we operate ten full-service banking offices, with nine offices located in Jefferson, Shelby, Madison, Montgomery and Houston counties in the metropolitan statistical areas ("MSAs") of Birmingham-Hoover, Huntsville, Montgomery and Dothan, Alabama, and one office located in Escambia County in the Pensacola-Ferry Pass-Brent, Florida MSA, which opened April 1, 2011. These MSAs constitute our primary service areas.

Our principal business is to accept deposits from the public and to make loans and other investments. Our principal sources of funds for loans and investments are demand, time, savings, and other deposits (including negotiable orders of withdrawal, or NOW accounts). Our principal sources of income are interest and fees collected on loans, interest and dividends collected on other investments and service charges. Our principal expenses are interest paid on savings and other deposits (including NOW accounts), interest paid on our other borrowings, employee compensation, office expenses and other overhead expenses.

Overview

As of June 30, 2011, we had consolidated total assets of $2,024,597,000, an increase of $89,431,000, or 4.62%, from $1,935,166,000 at December 31, 2010. Total loans were $1,560,974,000 at June 30, 2011, up $166,156,000, or 11.91%, over $1,394,818,000 at December 31, 2010. Total deposits were $1,803,874,000 at June 30, 2011, an increase of $45,158,000, or 2.57%, from $1,758,716,000 at December 31, 2010.

Net income for the quarter ended June 30, 2011 was $5,845,000, an increase of $1,824,000, or 45.36%, from $4,021,000 for the quarter ended June 30, 2010. Basic and fully diluted earnings per common share were $1.02 and $0.89, respectively, for the three months ended June 30, 2011, compared with $0.73 and $0.65, respectively, for the same period in 2010. This increase was primarily attributable to a $343,986,000, or 22.47%, increase in average earning assets from the second quarter of 2010 to the second quarter of 2011, and a $1,043,000, or 41.11%, decrease in the provision for loan losses from the second quarter of 2010 to the second quarter of 2011.

Net income for the six months ended June 30, 2011 was $10,716,000, an increase of $2,682,000, or 33.38%, from $8,034,000 for the six months ended June 30, 2010. Basic and fully diluted earnings per common share were $1.88 and $1.65, respectively, for the six months ended June 30, 2011, compared with $1.46 and $1.33, respectively, for the same period in 2010. This increase was primarily attributable to a $340,432,000, or 22.60%, increase in average earning assets in 2011 from 2010, and a $1,350,000, or 26.60%, decrease in the provision for loan losses from 2010 to 2011.

Critical Accounting Policies

The accounting and financial policies of the Company conform to U.S. generally accepted accounting principles and to general practices within the banking industry. To prepare consolidated financial statements in conformity with U.S. generally accepted accounting principles, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided, and future results could differ. The allowance for loan losses, valuation of foreclosed real estate, deferred taxes, and fair value of financial instruments are particularly subject to change. Information concerning our accounting policies with respect to these items is available in Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2010.

Financial Condition

Cash and Cash Equivalents

At June 30, 2011, we had $94,541,000 in federal funds sold and other investments, compared with $346,000 at December 31, 2010. We assess our risk-weighted capital ratios at each quarter end and determine if excess funds need to be maintained at correspondent banks versus the Federal Reserve. We determined as of March 31, 2011 that excess funds could remain at correspondent banks, but had determined as of December 31, 2010 that it was preferable to keep excess funds at the Federal Reserve at that time.

Investment Securities

Investment securities available for sale totaled $230,671,000 at June 30, 2011 and $276,959,000 at December 31, 2010. Investment securities held to maturity totaled $13,895,000 at June 30, 2011 and $5,234,000 at December 31, 2010. Approximately $30,007,000 in U.S. Treasury Notes and $33,263,000 in mortgage-backed securities, government agency securities and corporate bonds were sold during the first half of 2011, and were partially replaced by the purchase of approximately $28,348,000 in mortgage-backed securities and $5,360,000 in municipal securities. The purchased securities will increase the portfolio yield and will also provide higher monthly principal cash flow.

Each quarter, management assesses whether there have been events or economic circumstances to indicate that a security on which there is an unrealized loss is other-than-temporarily impaired. Management considers several factors, including the amount and duration of the impairment; the intent and ability of the Company to hold the security for a period sufficient for a recovery in value; and known recent events specific to the issuer or its industry. In analyzing an issuer's financial condition, management considers whether the securities are issued by agencies of the federal government, whether downgrades by bond rating agencies have occurred, and industry analysts' reports, among other things. As we currently have the ability to hold our investment securities for the foreseeable future, no declines are deemed to be other than temporary. We will continue to evaluate our investment securities for possible other-than-temporary impairment, which could result in non-cash charges to earnings in one or more future periods.

The following table shows the amortized cost of our investment securities by their stated maturity at June 30, 2011:

	Less Than One Year	One Year to Five Years	Five Years to Ten Years (In Thousands)	More Than Ten Years	Total
U.S. Treasury and government sponsored agencies	$-	$31,274	$ 3,444	$693	$35,411
Mortgage-backed securities	265	1,568	34,846	74,247	110,926
State and municipal securities	-	14,291	60,200	14,117	88,608
Corporate debt	-	-	1,025	-	1,025
	$265	$47,133	$ 99,515	$89,057	$235,970
Taxable-equivalent Yield	4.47 %	3.03 %	4.63 %	4.38 %	4.22 %

All securities held are traded in liquid markets. As of June 30, 2011, we owned certain restricted securities of the Federal Home Loan Bank with an aggregate book value and market value of $3,649,000 and certain securities of First National Bankers Bank in which we invested $250,000. We had no investments in any one security, restricted or liquid, in excess of 10% of our stockholders' equity.

The Bank does not invest in collateralized debt obligations ("CDOs"). All tax-exempt securities currently held are issued by government issuers within the State of Alabama. All corporate bonds had a Standard and Poor's or Moody's rating of A-1 or better when purchased. The June 30, 2011 total investment portfolio has a combined average credit rating of AA.

The carrying value of investment securities pledged to secure public funds on deposit and for other purposes as required by law was $176,536,000 and $111,347,000 as of June 30, 2011 and December 31, 2010, respectively.

Loans

We had total loans of $1,560,974,000 at June 30, 2011, an increase of $166,156,000, or 11.91%, compared to $1,394,818,000 at December 31, 2010. At June 30, 2011, 51% of our loans were in our Birmingham offices, 22% in our Huntsville offices, 12% in our Montgomery offices, 14% in our Dothan offices, and 1% in our Pensacola, Florida office.

Asset Quality

The allowance for loan losses is established and maintained at levels management deems adequate to absorb anticipated credit losses from identified and otherwise inherent risks in the loan portfolio as of the balance sheet date. In assessing the adequacy of the allowance for loan losses management considers its evaluation of the loan portfolio, past due loan experience, collateral values, current economic conditions and other factors considered necessary to maintain the allowance at an adequate level. Our management feels that the allowance was adequate at June 30, 2011.

The following table presents the allocation of the allowance for loan losses for each respective loan category with the corresponding percentage of loans in each category to total loans. The comprehensive allowance analysis developed by our credit administration group is in compliance with all current regulatory guidelines.

June 30, 2011	Amount		Percentage of loans in each category to total loans	
Commercial, financial and agricultural	$	5,809	40.64	%
Real estate - construction		6,468	10.22	%
Real estate - mortgage		3,185	46.33	%
Consumer		566	2.81	%
Other		3,488	-	
Total	$	19,516	100.00	%

December 31, 2010	Amount		Percentage of loans in each category to total loans	
Commercial, financial and agricultural	$	5,348	38.47	%
Real estate - construction		6,373	12.34	%
Real estate - mortgage		2,443	46.51	%
Consumer		749	2.68	%
Other		3,164	-	
Total	$	18,077	100.00	%

Nonperforming Assets

Total nonperforming loans, which include nonaccrual loans and loans 90 or more days past due and still accruing, increased to $21.1 million as of June 30, 2011, compared to $14.3 million at December 31, 2010. Of this total, nonaccrual loans of $20.6 million at June 30, 2011, represented a net increase of $6.2 million over nonaccrual loans of $14.3 million at December 31, 2010. The largest change to nonaccrual loans was the addition of $8.3 million in loans related to two residential land developers. The Bank had one loan 90 days past due and still accruing at June 30, 2011 in the amount of $542,000, compared to zero loans 90 days past due at December 31, 2010. However, the bank's net exposure in this loan is only $54,200 due to a 90% Small Business Administration guaranty. Troubled debt restructurings (TDRs) at June 30, 2011, were $5.1 million compared to $2.4 million at December 31, 2010. The majority of this increase is attributable to a single commercial relationship. All of the Bank's TDR loans at both June 30, 2011 and December 31, 2010 have been performing as agreed under the terms of their restructuring plans.

Other real estate owned (OREO) decreased slightly to $6.9 million at June 30, 2011, from $7.0 million at December 31, 2010. The total number of OREO accounts decreased from 39 to 29 over the same period due to increased sales activity. However, the dollar value of this reduction was largely offset by foreclosures on two common-ownership residential land developments.

The following table summarizes our nonperforming assets and TDRs at June 30, 2011, and December 31, 2010:

June 30, 2011		December 31, 2010	
Balance	Number of Loans	Balance	Number of Loans