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

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

# FORM 10-Q

(Mark one)

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 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 | 26-0734029 |
|---|---|
| (State or Other Jurisdiction of Incorporation or Organization) | (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 April 29, 2011 |
| --- | --- |
| Common stock, $.001 par value | 5,527,482 |

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PART 1. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

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

| | March 31, 2011 (Unaudited) | December 31, 2010 (Audited) |
|---|---|---|
| ASSETS | | |
| Cash and due from banks | $ 20,871 | $ 27,454 |
| Interest-bearing balances due from depository institutions | 16,309 | 204,178 |
| Federal funds sold and other investments | 80,774 | 346 |
| Cash and cash equivalents | 117,954 | 231,978 |
| Debt securities: | | |
| Available for sale | 237,602 | 276,959 |
| Held to maturity | 13,939 | 5,234 |
| Restricted equity securities | 4,053 | 3,510 |
| Mortgage loans held for sale | 2,588 | 7,875 |
| Loans | 1,470,472 | 1,394,818 |
| Less allowance for loan losses | (19,226) | (18,077) |
| Loans, net | 1,451,246 | 1,376,741 |
| Premises and equipment, net | 4,673 | 4,450 |
| Accrued interest and dividends receivable | 7,358 | 6,990 |
| Deferred tax assets | 7,306 | 6,366 |
| Other real estate owned | 7,223 | 6,966 |
| Other assets | 9,007 | 8,097 |
| Total assets | $ 1,862,949 | $ 1,935,166 |
| | | |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Liabilities: | | |
| Deposits: | | |
| Noninterest-bearing | $ 261,634 | $ 250,490 |
| Interest-bearing | 1,430,866 | 1,508,226 |
| Total deposits | 1,692,500 | 1,758,716 |
| Other borrowings | 14,941 | 24,937 |
| Trust preferred securities | 30,455 | 30,420 |
| Accrued interest payable | 864 | 898 |
| Other liabilities | 1,781 | 3,095 |
| Total liabilities | 1,740,541 | 1,818,066 |
| Stockholders' equity: | | |
| Common stock, par value $.001 per share; 15,000,000 shares authorized; 5,527,482 shares issued and outstanding at March 31, 2011 and December 31, 2010 | 6 | 6 |
| Preferred stock, par value $.001 per share; 1,000,000 shares authorized; no shares outstanding | - | - |
| Additional paid-in capital | 76,139 | 75,914 |

| | | |
|---|---|---|
| Retained earnings | 43,214 | 38,343 |
| Accumulated other comprehensive income | 3,049 | 2,837 |
| Total stockholders' equity | 122,408 | 117,100 |
| Total liabilities and shareholders' equity | $ 1,862,949 | $ 1,935,166 |

See Notes to Consolidated Financial Statements.

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2011 | 2010 |
| Interest income: | | |
| Interest and fees on loans | $ 18,621 | $ 16,204 |
| Taxable securities | 1,542 | 1,752 |
| Nontaxable securities | 714 | 524 |
| Federal funds sold | 36 | 10 |
| Other interest and dividends | 48 | 12 |
| Total interest income | 20,961 | 18,502 |
| Interest expense: | | |
| Deposits | 3,134 | 2,853 |
| Borrowed funds | 851 | 743 |
| Total interest expense | 3,985 | 3,596 |
| Net interest income | 16,976 | 14,906 |
| Provision for loan losses | 2,231 | 2,712 |
| Net interest income after provision for loan losses | 14,745 | 12,194 |
| Noninterest income: | | |
| Service charges on deposit accounts | 567 | 572 |
| Securities gains | 143 | 38 |
| Other operating income | 561 | 522 |
| Total noninterest income | 1,271 | 1,132 |
| Noninterest expenses: | | |
| Salaries and employee benefits | 4,214 | 3,482 |
| Equipment and occupancy expense | 886 | 780 |
| Professional services | 240 | 200 |
| Other operating expenses | 3,257 | 2,796 |
| Total noninterest expenses | 8,597 | 7,258 |
| Income before income taxes | 7,419 | 6,068 |
| Provision for income taxes | 2,548 | 2,055 |
| Net income | $ 4,871 | $ 4,013 |
| | | |
| Basic earnings per share | $ 0.88 | $ 0.73 |
| | | |
| Diluted earnings per share | $ 0.77 | $ 0.68 |

See Notes to Consolidated Financial Statements.

SERVISFIRST BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS ENDED MARCH 31, 2011 AND 2010
(In thousands)
(Unaudited)

| | 2011 | 2010 |
|---|---|---|
| Net income | $4,871 | $4,013 |
| | | |
| Other comprehensive income, net of tax: | | |
| Unrealized holding gains arising during period from securities available for sale, net of tax of $164 and $149 for 2011 and 2010, respectively | 305 | 289 |
| Reclassification adjustment for net gains on sale of securities in net income, net of tax of $(50) and $(13) for 2011 and 2010, respectively | (93) | (25) |
| Other comprehensive income, net of tax | 212 | 264 |
| Comprehensive income | $5,083 | $4,277 |

See Notes to Consolidated Financial Statements

SERVISFIRST BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
THREE MONTHS ENDED MARCH 31, 2011
(In thousands, except share amounts)

| | 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 |
| Other comprehensive income | - | - | - | 212 | 212 |
| Stock based compensation expense | - | 225 | - | - | 225 |
| Net income | - | - | 4,871 | - | 4,871 |
| Balance, March 31, 2011 | $6 | $76,139 | $43,214 | $ 3,049 | $ 122,408 |

See Notes to Consolidated Financial Statements

SERVISFIRST BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2011 AND 2010
(In thousands)

| | 2011 | 2010 |
|---|---|---|
| OPERATING ACTIVITIES | | |
| Net income | $4,871 | $4,013 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Deferred tax (benefit) expense | (1,053) | 379 |
| Provision for loan losses | 2,231 | 2,712 |
| Depreciation and amortization | 266 | 270 |
| Net amortization (accretion) of investments | 128 | 150 |
| Market value adjustment of interest rate cap | 61 | - |
| Increase in accrued interest and dividends receivable | (368) | (463) |
| Stock compensation expense | 225 | 135 |
| Decrease in accrued interest payable | (34) | (89) |
| Proceeds from sale of mortgage loans held for sale | 35,845 | 29,235 |
| Originations of mortgage loans held for sale | (30,975) | (27,934) |
| Gain on sale of securities available for sale | (143) | (38) |
| Net (gain) loss on sale of other real estate owned | (32) | 52 |
| Write down of other real estate owned | 85 | 49 |
| Decrease in special prepaid FDIC insurance assessments | 611 | 564 |
| Net change in other assets, liabilities, and other operating activities | (1,436) | (2,037) |
| Net cash provided by operating activities | 10,282 | 6,998 |
| INVESTMENT ACTIVITIES | | |
| Purchase of securities available for sale | (17,011) | (17,274) |
| Proceeds from maturities, calls and paydowns of securities available for sale | 7,758 | 10,041 |
| Purchase of securities held to maturity | (8,709) | (500) |
| Proceeds from maturities, calls and paydowns of securities held to maturity | 4 | - |
| Increase in loans | (79,640) | (31,955) |
| Purchase of premises and equipment | (489) | (74) |
| Purchase of restricted equity securities | (543) | (269) |
| Purchase of interest rate cap | - | - |
| Proceeds from sale of securities available for sale | 48,950 | 29,999 |
| Proceeds from sale of interest rate floor | - | - |
| Proceeds from tenant reimbursement | - | - |
| Proceeds from sale of other real estate owned and repossessions | 1,590 | 2,172 |
| Additions to other real estate owned | - | (77) |
| Net cash used in investing activities | (48,090) | (7,937) |
| FINANCING ACTIVITIES | | |
| Net increase (decrease) in noninterest-bearing deposits | 11,144 | (37,239) |
| Net decrease in interest-bearing deposits | (77,360) | (44,556) |
| Net increase in federal funds purchased | - | 17,350 |
| Proceeds from issuance of trust preferred securities | - | 15,050 |
| Repayment of other borrowings | (10,000) | - |
| Net cash used in financing activities | (76,216) | (49,395) |
| | | |
| Net decrease in cash and cash equivalents | (114,024) | (50,334) |

| | | |
|---|---|---|
| Cash and cash equivalents at beginning of year | 231,978 | 76,206 |
| Cash and cash equivalents at end of year | $117,954 | $25,872 |
| | | |
| SUPPLEMENTAL DISCLOSURE | | |
| Cash paid for: | | |
| Interest | $4,019 | $3,685 |
| Income taxes | 3,600 | 1,560 |
| | | |
| NONCASH TRANSACTIONS | | |
| Transfers of loans from held for sale to held for investment | $417 | $380 |
| Other real estate acquired in settlement of loans | 1,900 | 2,068 |
| Internally financed sales of other real estate owned | - | 105 |

See Notes to Consolidated Financial Statements.

SERVISFIRST BANCSHARES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2011
(Unaudited)

## NOTE 1 - GENERAL

The accompanying condensed consolidated financial statements in this report have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission, including Regulation S-X and the instructions for Form 10-Q, and have not been audited. These consolidated financial statements do not include all of the information and footnotes required by U. S. generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments necessary to present fairly the consolidated financial position and the consolidated results of operations for the interim periods have been made. All such adjustments are of a normal nature. The consolidated results of operations are not necessarily indicative of the consolidated results of operations which ServisFirst Bancshares, Inc. (the "Company") may achieve for future interim periods or the entire year. For further information, refer to the consolidated financial statements and footnotes included in the Company's Form 10-K for the year ended December 31, 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 March 31, | |
|---|---|---|
| | 2011 | 2010 |
| | (In Thousands, Except Shares and Per Share Data) | |
| Earnings Per Share | | |
| Weighted average common shares outstanding | 5,527,482 | 5,513,482 |
| Net income | $ 4,871 | $ 4,013 |
| Basic earnings per share | $ 0.88 | $ 0.73 |
| | | |
| Weighted average common shares outstanding | 5,527,482 | 5,513,482 |
| Dilutive effects of assumed conversions and exercise of stock options and warrants | 986,621 | 388,296 |
| Weighted average common and dilutive potential common shares outstanding | 6,514,103 | 5,901,778 |
| Net income, adjusted for effect of debt conversion | $ 5,017 | $ 4,041 |
| Diluted earnings per share | $ 0.77 | $ 0.68 |

NOTE 4 - SECURITIES

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

| | Amortized Cost | Gross Unrealized Gain | Gross Unrealized Loss | Market Value |
|---|---|---|---|---|
| | | (In Thousands) | | |
| March 31, 2011: | | | | |
| Securities Available for Sale | | | | |
| U.S. Treasury and government sponsored agencies | $49,218 | $1,319 | $(44 ) | $ 50,493 |
| Mortgage-backed securities | 101,556 | 2,739 | (170 ) | $ 104,125 |
| State and municipal securities | 81,118 | 1,510 | (755 ) | 81,873 |
| Corporate debt | 1,023 | 88 | - | 1,111 |
| Total | $232,915 | $5,656 | $(969 ) | $ 237,602 |
| Securities Held to Maturity | | | | |
| Mortgage-backed securities | $8,411 | $- | $(81 ) | $ 8,330 |
| State and municipal securities | 5,528 | 58 | (92 ) | 5,494 |
| Total | $13,939 | $58 | $(173 ) | $ 13,824 |
| | | | | |
| 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 March 31, 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. The Company has the ability and intent to hold its securities until such time as lost value is recovered, or the securities mature. Further, the Company believes any deterioration in value on 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 | |
|---|---|---|---|---|
| | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses | Fair Value |
| | (In Thousands) | | | |
| March 31, 2011: | | | | |
| U.S. Treasury and government sponsored agencies | $ (44 ) | $ 946 | $ - | $ - |
| Mortgage-backed securities | (251 ) | 17,575 | - | - |
| State and municipal securities | (542 ) | 23,522 | (305 ) | 3,998 |
| Corporate debt | - | - | - | - |
| | $ (837 ) | $ 42,043 | $ (305 ) | $ 3,998 |
| | | | | |
| December 31, 2010: | | | | |
| U.S. Treasury and government sponsored agencies | $ (224 ) | $ 24,217 | $ - | $ - |
| Mortgage-backed securities | (268 ) | 16,417 | - | - |
| State and municipal securities | (1,034 ) | 33,282 | (288 ) | 3,674 |
| Corporate debt | - | - | - | - |
| | $ (1,526 ) | $ 73,916 | $ (288 ) | $ 3,674 |

At March 31, 2011, 20 of the Company's 437 debt securities had been in an unrealized loss position for 12 or more months.

NOTE 5 – LOANS

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

| | March 31, 2011 | December 31, 2010 |
|---|---|---|
| Commercial, financial and agricultural | $ 585,283 | $ 536,620 |
| Real estate - construction | 161,145 | 172,055 |
| Real estate - mortgage: | | |
| Owner-occupied commercial | 294,889 | 270,767 |
| 1-4 family mortgage | 206,514 | 199,236 |
| Other mortgage | 186,254 | 178,793 |
| Subtotal: Real estate - mortgage | 687,657 | 648,796 |
| Consumer | 36,387 | 37,347 |
| Total Loans | 1,470,472 | 1,394,818 |
| Less: Allowance for loan losses | (19,226) | (18,077) |
| Net Loans | $ 1,451,246 | $ 1,376,741 |
| | | |
| Commercial, financial and agricultural | 39.80 % | 38.47 % |
| Real estate - construction | 10.96 % | 12.34 % |
| Real estate - mortgage: | | |
| Owner-occupied commercial | 20.05 % | 19.41 % |
| 1-4 family mortgage | 14.04 % | 14.28 % |
| Other mortgage | 12.67 % | 12.82 % |
| Subtotal: Real estate - mortgage | 46.76 % | 46.51 % |
| Consumer | 2.48 % | 2.68 % |
| Total Loans | 100.00 % | 100.00 % |

Loans by credit quality indicator as of March 31, 2011 were as follows:

| | Pass | Special Mention | Substandard | Doubtful | Total |
|---|---|---|---|---|---|
| Commercial, financial and agricultural | $ 557,225 | $ 15,790 | $ 12,183 | $ 85 | $ 585,283 |
| Real estate - construction | 121,480 | 12,144 | 27,521 | - | 161,145 |
| Real estate - mortgage: | | | | | |
| Owner occupied commercial | 282,081 | 6,239 | 6,569 | - | 294,889 |
| 1-4 family mortgage | 196,334 | 5,389 | 4,791 | - | 206,514 |
| other mortgage | 182,619 | 546 | 3,089 | - | 186,254 |
| Total real estate mortgage | 661,034 | 12,174 | 14,449 | - | 687,657 |
| Consumer | 35,411 | 1 | 976 | - | 36,387 |
| Total | $ 1,375,149 | $ 40,109 | $ 55,129 | $ 85 | $ 1,470,472 |

Loans by performance status as of March 31, 2011 were as follows:

| | Performing | Nonperforming | Total |
|---|---|---|---|
| Commercial, financial and agricultural | $ 584,258 | $ 1,025 | $ 585,283 |
| Real estate - construction | $ 143,780 | 17,365 | 161,145 |
| Real estate - mortgage: | | | |
| Owner occupied commercial | $ 294,259 | 630 | 294,889 |
| 1-4 family mortgage | $ 203,915 | 2,599 | 206,514 |
| other mortgage | $ 186,254 | - | 186,254 |
| Total real estate mortgage | 684,428 | 3,229 | 687,657 |
| Consumer | $ 36,012 | 375 | 36,387 |
| Total | $ 1,448,478 | $ 21,994 | $ 1,470,472 |

Loans by past-due status as of March 31, 2011 were as follows:

| | Days Past Due Status (Accruing Loans) | | | | | | |
|---|---|---|---|---|---|---|---|
| | 30-59 | 60-89 | 90+ | Total | Nonaccrual | Current | Total Loans |
| Commercial, financial and agricultural | $ 550 | $ - | $ 14 | $ 564 | $ 1,011 | $ 583,708 | $ 585,283 |
| Real estate - construction | 1,207 | - | - | 1,207 | 17,365 | $ 142,573 | $ 161,145 |
| Real estate - mortgage: | | | | | | | |
| Owner-occupied commercial | 340 | - | - | 340 | 630 | $ 293,919 | $ 294,889 |
| 1-4 family mortgage | 311 | 124 | 1,838 | 2,273 | 761 | $ 203,480 | $ 206,514 |
| Other mortgage | 4,297 | | | 4,297 | - | $ 181,957 | $ 186,254 |
| Total real estate - mortgage | 4,948 | 124 | 1,838 | 6,910 | 1,391 | 679,356 | 687,657 |
| Consumer | 69 | | | 69 | 375 | 35,943 | $ 36,387 |
| Total | $ 6,774 | $ 124 | $ 1,852 | $ 8,750 | $ 20,142 | $ 1,441,580 | $ 1,470,472 |

NOTE 6 - EMPLOYEE AND DIRECTOR BENEFITS

Stock Options

At March 31, 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 $225,000 and $135,000 for three months ended March 31, 2011 and 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 three months ended March 31, 2011 and 2010 was $8.54 and $7.43, respectively.

The following table summarizes stock option activity during the three months ended March 31, 2011 and 2010:

| | Shares | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term (years) | Aggregate Intrinsic Value (In Thousands) |
|---|---|---|---|---|
| Three Months Ended March 31, 2011: | | | | |
| Outstanding at January 1, 2011 | 881,000 | $ 15.65 | 6.9 | $ 8,238 |
| Granted | 166,500 | 26.05 | 9.9 | - |
| Exercised | - | - | - | - |
| Forfeited | - | - | - | - |
| Outstanding at March 31, 2011 | 1,047,500 | 17.30 | 6.4 | $ 13,301 |
| | | | | |
| Exercisable at March 31, 2011 | 299,459 | $ 12.75 | 5.0 | $ 5,165 |
| | | | | |
| Three Months Ended March 31, 2010: | | | | |
| Outstanding at January 1, 2010 | 833,500 | $ 15.00 | 6.8 | $ 8,333 |
| Granted | 11,000 | 25.00 | 9.9 | - |
| Exercised | - | - | - | - |
| Forfeited | (10,000 ) | 15.00 | 6.7 | - |
| Outstanding at March 31, 2010 | 834,500 | 15.25 | 6.6 | $ 8,238 |
| | | | | |
| Exercisable at March 31, 2010 | 146,196 | $ 12.05 | 5.9 | $ 1,894 |

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Restricted Stock

During the first quarter of 2010, 2,000 shares of restricted stock were granted to five employees for a total of 10,000 shares. 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 March 31, 2011, there was $546,000 of total unrecognized compensation cost related to non-vested restricted stock. The cost is expected to be recognized evenly over the remaining 3.69 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 warrants outstanding at March 31, 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 March 31, 2011, the Company was party to two swaps with notional amounts totaling approximately $11.8 million with customers, and two swaps with notional amounts totaling approximately $11.8 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 $661,000 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. For the first quarter of 2011, the Company recognized $61,000 in interest expense related to marking the cap to market.

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 March 31, 2011 and December 31, 2010 were not material.

NOTE 8 - RECENT ACCOUNTING PRONOUNCEMENTS

In July 2010, the FASB issued ASU No. 2010-20, Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses. This guidance requires disclosures regarding loans and the allowance for loan losses that are disaggregated by portfolio segment and class of financing receivable. Required enhancements to current disclosures include a rollforward of the allowance for loans losses by portfolio segment, with the ending balance broken out by basis of impairment method, as well as the recorded investment in the respective loans. Nonaccrual and impaired loans by class must also be shown. Disclosure requirements also include: (1) credit quality indicators by class, (2) aging of past due loans by class, (3) troubled debt restructurings ("TDRs") by class and their effect on the allowance for loan losses, (4) defaults on TDRs by class and their effect on the allowance for loan losses, and (5) significant purchases and sales of loans disaggregated by portfolio segment. This guidance is effective for interim and annual reporting periods ending on or after December 15, 2010, for end of period disclosures. Activity-related disclosures are required for interim and annual reporting periods beginning on or after December 15, 2010. Although this guidance required the Company to make additional disclosures in its financial statements, adoption of this guidance did not have any effect on the Company's financial position or results of operations.

In April 2011, the FASB issued ASU No. 2011-02, 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. Early adoption is permitted. The Company intends to adopt the provisions of this ASU when required, and is evaluating its potential impact on the Company's consolidated financial statements.

NOTE 9 - FAIR VALUE MEASUREMENT

Measurement of fair value under United States generally accepted accounting principles ("US 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 certain 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. 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 $1,628,000 and $2,608,000 during the three months ended March 31, 2011 and 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 $53,000 and $101,000 during the three months ended March 31, 2011 and 2010, respectively. These charges were for write-downs in the value of OREO 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 March 31, 2011 and December 31, 2010:

| | Fair Value Measurements at March 31, 2011 Using | | | |
|---|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
| | (In Thousands) | | | |
| Assets Measured on a Recurring Basis: | | | | |
| Available-for-sale securities | $- | $ 237,602 | $ - | $237,602 |
| Interest rate swap agreements | - | 661 | - | 661 |
| Interest rate cap | - | 54 | | 54 |
| Total assets at fair value | $- | $ 238,317 | $ - | $238,317 |
| | | | | |
| Liabilities Measured on a Recurring Basis: | | | | |
| Interest rate swap agreements | $- | $ 661 | $ - | $661 |

| | 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 |
| | (In Thousands) | | | |
| Assets Measured on a Recurring Basis: | | | | |
| Available-for-sale securities | $- | $ 276,959 | $ - | $276,959 |
| Interest rate swap agreements | - | 803 | | 803 |
| Interest rate cap | - | 115 | - | 115 |
| Total assets at fair value | $- | $ 277,762 | $ - | $277,762 |
| | | | | |
| 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 March 31, 2011:

| | Fair Value Measurements at March 31, 2011 Using | | | |
|---|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
| | (In Thousands) | | | |
| Assets Measured on a Nonrecurring Basis: | | | | |
| Impaired loans | $- | $ - | $ 26,595 | $26,595 |
| Other real estate owned | - | - | 7,223 | 7,223 |
| Total assets at fair value | $- | $ - | $ 33,818 | $33,818 |

| | Fair Value Measurements at December 31, 2010 Using | | | |
|---|---|---|---|---|
| | Quoted Prices in | Significant Other | Significant | Total |

| | Active Markets for Identical Assets (Level 1) | Observable Inputs (Level 2) | Unobservable Inputs (Level 3) | |
|---|---|---|---|---|
| | | (In Thousands) | | |
| Assets Measured on a Nonrecurring Basis: | | | | |
| Impaired loans | $- | $ - | $ 35,183 | $35,183 |
| Other real estate owned | - | - | 6,966 | 6,966 |
| Total assets at fair value | $- | $ - | $ 42,149 | $42,149 |

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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 US 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 non-recurring basis, at March 31, 2011 and December 31, 2010 were as follows:

| | March 31, 2011 | | December 31, 2010 | |
|---|---|---|---|---|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| | (In Thousands) | | | |
| Financial Assets: | | | | |
| Cash and cash equivalents | $ 117,954 | $ 117,954 | $ 231,978 | $ 231,978 |
| Investment securities available for sale | 237,602 | 237,602 | 276,959 | 276,959 |
| Investment securities held to maturity | 13,939 | 13,824 | 5,234 | 4,963 |
| Restricted equity securities | 4,053 | 4,053 | 3,510 | 3,510 |
| Mortgage loans held for sale | 2,588 | 2,588 | 7,875 | 7,875 |
| Loans, net | 1,451,246 | 1,454,627 | 1,376,741 | 1,388,154 |
| Accrued interest and dividends receivable | 7,358 | 7,358 | 6,990 | 6,990 |
| Derivative | 715 | 715 | 918 | 918 |
| | | | | |
| Financial Liabilities: | | | | |
| Deposits | $ 1,692,500 | $ 1,695,269 | $ 1,758,716 | $ 1,761,906 |
| Borrowings | 14,941 | 15,391 | 24,937 | 25,717 |
| Trust preferred securities | 30,455 | 27,982 | 30,420 | 27,989 |
| Accrued interest payable | 864 | 864 | 898 | 898 |
| Derivative | 661 | 661 | 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. 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 that applies interest rates currently offered on certificates to a schedule of aggregated expected monthly maturities on time deposits.

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.

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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 $5.71. 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 – SUBSEQUENT EVENTS

The Company has evaluated all subsequent events through April 29, 2011, the last business day before the filing date of this Form 10-Q with the Securities and Exchange Commission, to ensure that this Form 10-Q includes appropriate disclosure of events both recognized in the financial statements as of March 31, 2011, and events which occurred subsequent to March 31, 2011 but were not recognized in the financial statements. As of April 29, 2011, 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 March 31, 2011 and for the three months ended March 31, 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 the 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 March 31, 2011, the Company had consolidated total assets of $1,862,949,000, a decrease of $72,217,000, or 3.73%, from $1,935,166,000 at December 31, 2010. Total loans were $1,470,472,000 at March 31, 2011, up $75,654,000, or 5.42%, over $1,394,818,000 at December 31, 2010. Total deposits were $1,692,500,000 at March 31, 2011, a decrease of $66,216,000, or 3.77%, from $1,758,716,000 at December 31, 2010.

Net income for the quarter ended March 31, 2011 was $4,871,000, an increase of $858,000, or 21.38%, from $4,013,000 for the quarter ended March 31, 2010. Basic and fully diluted earnings per common share were $0.88 and $0.77, respectively, for the three months ended March 31, 2011, compared with $0.73 and $0.68, respectively, for the same period in 2010. This increase was primarily attributable to a $336,629,000, or 22.73%, increase in average earning assets from the first quarter of 2010 to the first quarter of 2011, and a $481,000, or 17.74%, decrease in the provision for loan losses from the first quarter of 2010 to the first quarter of 2011.

Critical Accounting Policies

The accounting and financial policies of the Company conform to accounting principles generally accepted in the United States and to general practices within the banking industry. To prepare consolidated financial statements in conformity with accounting principles generally accepted in the United States, 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

Investment Securities

Investment securities available for sale totaled $237,602,000 at March 31, 2011 and $276,959,000 at December 31, 2010. Investment securities held to maturity totaled $13,939,000 at March 31, 2011 and $5,234,000 at December 31, 2010. Approximately $30,000,000 in U.S. Treasury Notes and $19,000,000 in mortgage-backed securities, government agency securities and corporate bonds were sold during the first quarter 2011, and were partially replaced by the purchase of approximately $17,000,000 in mortgage-backed securities and $3,500,000 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 the Company currently has the ability to hold its investment securities for the foreseeable future, no declines are deemed to be other than temporary. The Company will continue to evaluate its investment securities for possible other-than-temporary impairment, which could result in a future non-cash charge to earnings.

The following table shows the amortized cost of the Company's investment securities by their stated maturity at March 31, 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 | $- | $ 28,144 | $ 14,843 | $6,231 | $49,218 |
| Mortgage-backed securities | - | 1,289 | 29,818 | 78,860 | 109,967 |
| State and municipal securities | 165 | 11,282 | 59,059 | 16,140 | 86,646 |
| Corporate debt | - | - | 1,023 | - | 1,023 |
| | $165 | $ 40,715 | $ 104,743 | $101,231 | $246,854 |
| Taxable-equivalent yield | 6.96 % | 2.90 % | 4.68 % | 4.40 % | 4.28 % |

All securities held are traded in liquid markets. As of March 31, 2011, we owned certain restricted securities of the Federal Home Loan Bank with an aggregate book value and market value of $3,803,000 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's investment portfolio consists of mortgage-backed pass-through securities, tax-exempt securities and corporate bonds. 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 March 31, 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 $186,372,000 and $111,347,000 as of March 31, 2011 and December 31, 2010, respectively.

At March 31, 2011, we had $80,774,000 in federal funds sold and other investments, compared with $346,000 at December 31, 2010. We kept excess funds on deposit at the Federal Reserve as of December 31, 2010 because they carry a lower risk weighting for risk-based capital purposes, yet the funds pay as much interest as we would have earned if on deposit with our correspondent banks.

Loans

We had total loans of $1,470,472,000 at March 31, 2011, an increase of $75,654,000, or 5.42%, compared to $1,394,818,000 at December 31, 2010. At March 31, 2011, 51% of our loans were in our Birmingham offices, 22% in our Huntsville offices, 13% in our Montgomery offices, and 14% in our Dothan offices.

Asset Quality

The following table presents a summary of changes in the allowances for loan losses for the three months ended March 31, 2011 and 2010, respectively. The largest balance of our charge-offs was in commercial, financial, and agricultural loans. These loans represent 40% of our portfolio as of March 31, 2011.

| | Three Months Ended March 31, | |
|---|---|---|
| | 2011 | 2010 |
| | (In Thousands) | |
| Allowance for Loan Losses | | |
| Balance, beginning of period | $ 18,077 | $ 14,911 |
| Charge-offs: | | |
| Commercial, financial and agricultural | (549) | (847) |
| Real estate - construction | (300) | (338) |
| Real estate - mortgage: | | |
| Owner Occupied | - | (178) |
| 1-4 family mortgage | - | (633) |
| Other | - | - |
| Total real estate mortgage | - | (811) |
| Consumer | (325) | (16) |
| Total charge-offs | (1,174) | (2,012) |
| Recoveries: | | |
| Commercial, financial and agricultural | - | 56 |
| Real estate - construction | 90 | - |
| Real estate - mortgage: | | |
| Owner Occupied | - | - |
| 1-4 family mortgage | 1 | 3 |
| Other | - | - |
| Total real estate mortgage | 1 | 3 |
| Consumer | 1 | 1 |
| Total recoveries | 92 | 60 |
| Net charge-offs | (1,082) | (1,952) |
| Provision for loan losses charged to expense | 2,231 | 2,712 |
| Balance, end of period | $ 19,226 | $ 15,671 |
| | | |
| As a percent of year to date average loans: | | |
| Annualized net charge-offs | 0.29 % | 0.65 % |
| Annualized provision for loan losses | 0.61 % | 0.90 % |

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 March 31, 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.

| March 31, 2011 | | Amount | Percentage of loans in each category to total loans | |
|---|---|---|---|---|
| Commercial, financial and agricultural | $ | 6,039 | 39.80 | % |
| Real estate - construction | | 6,285 | 10.96 | % |
| Real estate - mortgage | | 1,145 | 46.76 | % |
| Consumer | | 238 | 2.48 | % |
| Other | | 5,519 | - | |
| Total | $ | 19,226 | 100.00 | % |

| December 31, 2010 | | Amount | Percentage of loans in each category to total loans | |
|---|---|---|---|---|
| Commercial, financial and agricultural | $ | 5,214 | 38.47 | % |
| Real estate - construction | | 6,373 | 12.34 | % |
| Real estate - mortgage | | 1,067 | 46.51 | % |
| Consumer | | 554 | 2.68 | % |
| Other | | 4,869 | - | |
| 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 $22.0 million as of March 31, 2011, compared to $14.3 million at December 31, 2010. Of this total, nonaccrual loans of $20.1 million at March 31, 2011, represented a net increase of $5.8 million over nonaccrual loans of $14.3 million at December 31, 2010. Most of this increase relates to two specific relationships with residential homebuilders. The Bank had two loans 90 days past due and still accruing at March 31, 2011, for a total of $1.9 million, compared to zero loans 90 days past due at December 31, 2010. Of this $1.9 million, 99% was confined to a single residential loan that is expected to be refinanced. Troubled debt restructurings (TDRs) at March 31, 2011, were $6.1 million compared to $2.4 million at December 31, 2010. All of the Bank's TDR loans at both March 31, 2011 and December 31, 2010 have been performing as agreed under the terms of their restructuring plans.

Other real estate owned (OREO) increased slightly to $7.2 million at March 31, 2011, from $7.0 million at December 31, 2010, although the total number of OREO accounts decreased from 39 to 31 over the same period due to increased sales activity. However, the dollar value of this reduction was offset by two foreclosures on a single residential developer.

The following table summarizes our nonperforming assets and troubled debt restructurings at March 31, 2011, and December 31, 2010:

| | March 31, 2011 | | December 31, 2010 | |
|---|---|---|---|---|
| | Balance | Number of Loans | Balance | Number of Loans |
| Nonaccrual loans: | | | | |
| Commercial, financial and agricultural | $ 1,011 | 10 | $ 2,164 | 8 |
| Real estate - construction | 17,365 | 33 | 10,722 | 24 |
| Real estate - mortgage: | | | | |
| Owner-occupied commercial | 630 | 1 | 635 | 1 |
| 1-4 family mortgage | 761 | 4 | 202 | 1 |
| Other mortgage | | | - | - |
| Total real estate - mortgage | 1,391 | 5 | 837 | 2 |
| Consumer | 375 | 1 | 624 | 1 |
| Total nonaccrual loans: | $ 20,142 | 49 | $ 14,347 | 35 |
| | | | | |
| 90+ days past due and accruing: | | | | |
| Commercial, financial and agricultural | $ 14 | 1 | $ - | - |
| Real estate - construction | - | - | - | - |
| Real estate - mortgage: | | | | |
| Owner-occupied commercial | - | - | - | - |
| 1-4 family mortgage | 1,838 | 1 | - | - |
| Other mortgage | - | - | - | - |
| Total real estate - mortgage | 1,838 | 1 | - | - |
| Consumer | - | - | - | - |
| Total 90+ days past due and accruing: | $ 1,852 | 2 | $ - | - |
| | | | | |
| Total nonperforming loans: | $ 21,994 | 51 | $ 14,347 | 35 |
| | | | | |
| Plus: Other real estate owned | 7,223 | 31 | 6,966 | 39 |
| Total nonperforming assets | $ 29,217 | 82 | $ 21,313 | 74 |
| | | | | |
| Restructured accruing loans (TDRs): | | | | |
| Commercial, financial and agricultural | $ 3,351 | 11 | $ 2,398 | 9 |
| Real estate - construction | - | - | - | - |
| Real estate - mortgage: | | | | |
| Owner-occupied commercial | 2,369 | 1 | - | - |
| 1-4 family mortgage | - | - | - | - |
| Other mortgage | 344 | 1 | - | - |
| Total real estate - mortgage | 2,713 | 2 | - | - |
| Consumer | - | - | - | - |
| Total restructured accruing loans: | $ 6,064 | 13 | $ 2,398 | 9 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Total nonperforming assets and restructured accruing loans | $ | 35,281 | | 95 | $ | 23,711 | 83 |
| | | | | | | | |
| Ratios: | | | | | | | |
| Nonperforming loans to total loans | | 1.50 | % | | | 1.03 % | |
| Nonperforming assets to total loans plus other real estate owned | | 1.98 | % | | | 1.52 % | |
| Nonperforming loans plus restructured accruing loans to total loans plus other real estate owned | | 1.90 | % | | | 1.19 % | |

The balance of nonperforming assets can fluctuate due to changes in economic conditions. We have established a policy to discontinue accruing interest on a loan (i.e., place the loan on nonaccrual status) after it has become 90 days delinquent as to payment of principal or interest, unless the loan is considered to be well collateralized and is actively in the process of collection. In addition, a loan will be placed on nonaccrual status before it becomes 90 days delinquent if management believes that the borrower’s financial condition is such that the collection of interest or principal is doubtful. Interest previously accrued but uncollected on such loans is reversed and charged against current income when the receivable is determined to be uncollectible. Interest income on nonaccrual loans is recognized only as received. If we believe that a loan will not be collected in full, we will increase the allowance for loan losses to reflect management’s estimate of any potential exposure or loss. Generally, payments received on non-accrual loans are applied directly to principal.

Impaired Loans and Allowance for Loan Losses

We have allocated approximately $6.3 million of our allowance for loan losses to real estate construction, including acquisition and development and lot loans, and $6.0 million to commercial, financial and agricultural loans. We have a total loan loss reserve as of March 31, 2011 allocable to specific loan types of $13.7 million. We also currently maintain a general reserve, which is not tied to any particular type of loan, in the amount of approximately $5.5 million as of March 31, 2011, resulting in a total loan loss reserve of $19.2 million. Our management believes, based upon historical performance, known factors, overall judgment, and regulatory methodologies, that the current methodology used to determine the adequacy of the allowance for loan losses is reasonable, including consideration for the effect of current residential housing market defaults and business failures (particularly of real estate developers) plaguing financial institutions in general.

As of March 31, 2011, we had impaired loans of $51.3 million inclusive of nonaccrual loans, a slight decrease of $0.2 million from $51.5 million as of December 31, 2010. We allocated $5.2 million of our allowance for loan losses at March 31, 2011 to these impaired loans. A loan is considered impaired, based on current information and events, if it is probable that we will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the original loan agreement. Impairment does not always indicate credit loss, but provides an indication of collateral exposure based on prevailing market conditions and third-party valuations. Impaired loans are measured by either the present value of expected future cash flows discounted at the loan’s effective interest rate, the loan’s obtainable market price, or the fair value of the collateral if the loan is collateral-dependent. The amount of impairment, if any, and subsequent changes are included in the allowance for loan losses. Interest on accruing impaired loans is recognized as long as such loans do not meet the criteria for nonaccrual status. Our credit risk management performs verification and testing to ensure appropriate identification of impaired loans and that proper reserves are held on these loans.

Of the $51.3 million of impaired loans reported as of March 31, 2011, $27.5 million were real estate – construction loans, $3.5 million were residential real estate loans, $10.8 million were commercial, financial, and agricultural loans, and $6.4 million were commercial real estate loans. Of the $25.7 million of impaired real estate – construction loans, $12.5 million (a total of 22 loans with 11 builders) were residential construction loans, and $5.9 million consisted of various residential lot loans to 10 builders.

The following table details our impaired loans by loan category as of March 31, 2011:

| | Recorded Investment | Unpaid Principal Balance |
|---|---|---|
| With no allowance recorded: | | |
| Commercial, financial and agricultural | $ 2,088 | $ 2,229 |
| Real estate - construction | 6,786 | 6,961 |
| Real estate - mortgage: | | |
| Owner-occupied commercial | 2,981 | 3,056 |
| 1-4 family mortgage | 511 | 511 |
| Other mortgage | 2,082 | 2,082 |
| Total real estate - mortgage | 5,574 | 5,649 |
| Consumer | 275 | 275 |
| Total with no allowance recorded | 14,723 | 15,114 |
| | | |
| With an allowance recorded: | | |
| Commercial, financial and agricultural | 8,679 | 8,729 |
| Real estate - construction | 20,735 | 20,952 |
| Real estate - mortgage: | | |
| Owner-occupied commercial | 3,416 | 3,416 |
| 1-4 family mortgage | 2,993 | 2,993 |
| Other mortgage | 344 | 344 |
| Total real estate - mortgage | 6,753 | 6,753 |
| Consumer | 374 | 415 |
| Total with allowance recorded | 36,541 | 36,849 |
| | | |
| Total Impaired Loans: | | |
| Commercial, financial and agricultural | 10,767 | 10,958 |
| Real estate - construction | 27,521 | 27,913 |
| Real estate - mortgage: | | |
| Owner-occupied commercial | 6,397 | 6,472 |
| 1-4 family mortgage | 3,504 | 3,504 |
| Other mortgage | 2,426 | 2,426 |
| Total real estate - mortgage | 12,327 | 12,402 |
| Consumer | 649 | 690 |
| Total impaired loans | $ 51,264 | $ 51,963 |

Deposits

Total deposits decreased $66,216,000, or 3.77%, to $1,692,500,000 at March 31, 2011 compared to $1,758,716,000 at December 31, 2010. This decrease in deposits is a result of cyclical and seasonal decreases in balances related to our clients' business activities. We anticipate long-term sustainable growth in deposits through continued development of market share in our less mature markets and through organic growth in our mature markets.

For amounts and rates of our deposits by category, see the table “Average Consolidated Balance Sheets and Net Interest Analysis on a Fully Taxable Equivalent Basis” under the subheading “Net Interest Income”

Other Borrowings

On March 19, 2008, we borrowed $20.0 million from the Federal Home Loan Bank of Atlanta, of which $10.0 million bears interest at 2.995% per annum and is payable on March 19, 2012, and $10.0 million bears interest at 3.275% per annum and is payable on March 19, 2013. On March 31, 2011, we prepaid the $10.0 million note maturing March 19, 2012, and paid a $256,000 prepayment penalty. As discussed in Note 9 to the Consolidated Financial Statements, we borrowed $15.5 million through the issuance of trust preferred securities and the related debenture on September 2, 2008. Both financial instruments bear an identical annual rate of interest of 8.50% and pay interest on March 1, June 1, September 1 and December 1 of each year. The current book value of this borrowing is $15.4 million as a result of amortization of the discount associated with 75,000 warrants issued to the holders of the Preferred Securities. As discussed in Note 10 to the Consolidated Financial Statements, we borrowed $15.0 million through the issuance of trust preferred securities and the related debenture on March 15, 2010. Both financial instruments bear an identical rate of interest of 6.00% and pay interest on March 15, June 15, September 15 and December 15 of each year. As discussed in Note 11 to the Consolidated Financial Statements, on June 23, 2009, the Bank issued a $5.0 million subordinated note due June 1, 2016 in a private placement. The note bears interest at an annual rate of 8.25% payable on March 1, June 1, September 1 and December 1 of each year.

Liquidity

Liquidity is defined as our ability to generate sufficient cash to fund current loan demand, deposit withdrawals, or other cash demands and disbursement needs, and otherwise to operate on an ongoing basis.

The retention of existing deposits and attraction of new deposit sources through new and existing customers is critical to our liquidity position. If our liquidity were to decline due to a run-off in deposits, we have procedures that provide for certain actions under varying liquidity conditions. These actions include borrowing from existing correspondent banks, selling or participating loans, and curtailing loan commitments and funding. At March 31, 2011, liquid assets, which are represented by cash and due from banks, federal funds sold and unpledged available-for-sale securities, totaled $231 million. Additionally, the Bank had additional borrowing availability of approximately $354 million in unused federal funds lines of credit with regional banks, subject to certain restrictions and collateral requirements, and had additional borrowing availability of $5 million at the Federal Home Loan Bank of Atlanta to meet short-term funding needs. We believe these sources of funding are adequate to meet immediate anticipated funding needs, but we will need additional capital to maintain our current growth. Our management meets on a quarterly basis to review sources and uses of funding to determine the appropriate strategy to ensure an appropriate level of liquidity. At the current time, our long-term liquidity needs primarily relate to funds required to support loan originations and commitments and deposit withdrawals. Our regular sources of funding are from the growth of our deposit base, repayment of principal and interest on loans, the sale of loans and the renewal of time deposits. In addition, we have issued debt as described above under “Other Borrowings”.

We are subject to general FDIC guidelines that require a minimum level of liquidity. Management believes our liquidity ratios meet or exceed these guidelines. Our management is not currently aware of any trends or demands that are reasonably likely to result in liquidity materially increasing or decreasing.

The following table reflects the contractual maturities of our term liabilities as of March 31, 2011. The amounts shown do not reflect any early withdrawal or prepayment assumptions.

| | Payments due by Period | | | | |
|---|---|---|---|---|---|
| | Total | 1 year or less | Over 1 - 3 years | Over 3 - 5 years | Over 5 years |
| | (In Thousands) | | | | |
| Contractual Obligations (1) | | | | | |
| Deposits without a stated maturity | $1,405,770 | $ - | $- | $- | $ - |
| Certificates of deposit (2) | 286,730 | 175,028 | 89,399 | 22,303 | - |
| FHLB borrowings | 10,000 | - | 10,000 | - | - |
| Subordinated debentures | 30,455 | - | - | - | 30,455 |
| Subordinated note payable | 4,941 | - | - | - | 4,941 |
| Operating lease commitments | 17,905 | 2,006 | 3,978 | 3,917 | 8,004 |
| Total | $1,755,801 | $ 177,034 | $103,377 | $26,220 | $ 43,400 |

(1) Excludes interest
(2) Certificates of deposit give customers the right to early withdrawal. Early withdrawals may be subject to penalties.
The penalty amount depends on the remaining time to maturity at the time of early withdrawal.

Capital Adequacy

In the first quarter of 2010, we formed ServisFirst Capital Trust II, which issued 15,000 shares of its 6.0% Mandatory Convertible Trust Preferred Securities (the “Preferred Securities”) for $15,000,000 on March 15, 2010. The 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. The Federal Reserve Board has deemed these securities to qualify as Tier 1 capital of the Company up to 25% of Tier 1 capital elements. See Note 10 to the consolidated financial statements for further discussion of the issuance and sale of the Preferred Securities.

As of March 31, 2011, our most recent notification from the FDIC categorized us as well-capitalized under the regulatory framework for prompt corrective action. To remain categorized as well-capitalized, we must maintain minimum total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios as disclosed in the table below. Our management believes that we are well-capitalized under the prompt corrective action provisions as of March 31, 2011.

The following table sets forth (i) the capital ratios required by the FDIC and the Alabama Banking Department’s leverage ratio requirement and (ii) our actual ratios of capital to total regulatory or risk-weighted assets, as of March 31, 2011, December 31, 2010, and March 31, 2010:

| | Actual | | For Capital Adequacy Purposes | | To Be Well Capitalized Under Prompt Corrective Action Provisions | |
|---|---|---|---|---|---|---|
| | Amount | Ratio | Amount | Ratio | Amount | Ratio |
| As of March 31, 2011: | | | | | | |
| Total Capital to Risk-Weighted Assets: | | | | | | |
| Consolidated | $ 173,057 | 11.53 % | $ 120,036 | 8.00 % | N/A | N/A |
| ServisFirst Bank | 172,926 | 11.53 % | 119,946 | 8.00 % | 149,932 | 10.00 % |
| Tier 1 Capital to Risk-Weighted Assets: | | | | | | |
| Consolidated | 149,359 | 9.95 % | 60,018 | 4.00 % | N/A | N/A |
| ServisFirst Bank | 149,228 | 9.95 % | 59,973 | 4.00 % | 89,959 | 6.00 % |
| Tier 1 Capital to Average Assets: | | | | | | |
| Consolidated | 149,359 | 8.02 % | 74,499 | 4.00 % | N/A | N/A |
| ServisFirst Bank | 149,228 | 8.02 % | 74,470 | 4.00 % | 93,087 | 5.00 % |
| | | | | | | |
| As of December 31, 2010: | | | | | | |
| Total Capital to Risk-Weighted Assets: | | | | | | |
| Consolidated | $ 166,850 | 11.82 % | $ 112,927 | 8.00 % | N/A | N/A |
| ServisFirst Bank | 166,721 | 11.81 % | 112,978 | 8.00 % | 141,222 | 10.00 % |
| Tier 1 Capital to Risk-Weighted Assets: | | | | | | |
| Consolidated | 144,263 | 10.22 % | 56,464 | 4.00 % | N/A | N/A |
| ServisFirst Bank | 144,117 | 10.20 % | 56,489 | 4.00 % | 84,733 | 6.00 % |
| Tier 1 Capital to Average Assets: | | | | | | |
| Consolidated | 144,263 | 7.77 % | 74,266 | 4.00 % | N/A | N/A |
| ServisFirst Bank | 144,117 | 7.77 % | 74,236 | 4.00 % | 92,795 | 5.00 % |
| | | | | | | |
| As of March 31, 2010: | | | | | | |
| Total Capital to Risk-Weighted Assets: | | | | | | |
| Consolidated | $ 150,793 | 11.90 % | $ 101,297 | 8.00 % | N/A | N/A |
| ServisFirst Bank | 150,333 | 11.88 % | 101,230 | 8.00 % | 126,538 | 10.00 % |
| Tier 1 Capital to Risk-Weighted Assets: | | | | | | |
| Consolidated | 130,197 | 10.28 % | 50,649 | 4.00 % | N/A | N/A |
| ServisFirst Bank | 129,737 | 10.25 % | 50,615 | 4.00 % | 75,923 | 6.00 % |
| Tier 1 Capital to Average Assets: | | | | | | |
| Consolidated | 130,197 | 8.51 % | 61,186 | 4.00 % | N/A | N/A |
| ServisFirst Bank | 129,737 | 8.49 % | 61,153 | 4.00 % | 76,442 | 5.00 % |

Off-Balance Sheet Arrangements

In the normal course of business we are a party to financial instruments with off-balance sheet risk to meet the financing needs of our customers. These financial instruments include commitments to extend credit beyond current fundings, credit card arrangements, standby letters of credit, and financial guarantees. Those instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in our balance sheet. The contract or notional amounts of those instruments reflect the extent of involvement we have in those particular financial instruments.

Our exposure to credit loss in the event of non-performance by the other party to such financial instruments is represented by the contractual or notional amount of those instruments. We use the same credit policies in making commitments and conditional obligations as we do for on-balance sheet instruments.

Financial instruments whose contract amounts represent credit risk at March 31, 2011 are as follows:

| | (In Thousands) |
|---|---|
| Commitments to extend credit | $ 563,243 |
| Credit card arrangements | 17,037 |
| Standby letters of credit | 51,075 |
| | $ 631,355 |

Commitments to extend credit beyond current fundings are agreements to lend to a customer as long as there is no violation of any condition established in the applicable loan agreement. Such commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. We evaluate each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained if deemed necessary by us upon extension of credit is based on our management's credit evaluation. Collateral held varies but may include accounts receivable, inventory, property, plant and equipment, and income-producing commercial properties.

Standby letters of credit are conditional commitments issued by us to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing, and similar transactions. All letters of credit are due within one year or less of the original commitment date. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

Private Placement of Common Stock

In connection with the opening of our new location in Pensacola, Florida, we are offering up to 340,000 shares of our common stock for sale to qualified investors in a private placement exempt from registration under the Securities Act of 1933.  If that offering is fully subscribed, we expect to receive gross proceeds of $10,200,000 (before payment of offering expenses).  We currently expect to complete this private placement during the second quarter of 2011.

Results of Operations

Summary of Net Income

Net income for the three months ended March 31, 2011 was $4,871,000, compared to net income of $4,013,000 for the three months ended March 31, 2010.  The increase in net income was primarily attributable to increased net interest income as a result of growth in average earning assets and a decrease in the provision for loan losses.  Further discussion of these changes is included under the topic "Net Interest Income" and "Provision for Loan Losses" below. Noninterest expenses increased $1,339,000, to $8,597,000, for the three months ended March 31, 2011 compared to the same period in 2010.  A portion of this increase in noninterest expense was the result of a $256,000 prepayment fee relating to the prepayment of a $10,000,000 note payable to the Federal Home Loan Bank, which is more fully explained in "Other Borrowings" above.  The addition of staff in our new Pensacola location, which opened April 1, and the addition of a correspondent banking team during the first quarter of 2011 also contributed to the increase in operating expenses.  Noninterest income increased $139,000, to $1,271,000, for the three months ended March 31, 2011 compared to the same period in 2010.  Basic and diluted net income per common share were $0.88 and $0.77, respectively, for the three months ended March 31, 2011, compared to $0.73 and $0.68, respectively, for the same period in 2010.  Return on average assets and return on average equity for the three months ended March 31, 2011 were 1.06% and 16.50%, respectively, compared to 1.06% and 16.24% in 2010.

Net Interest Income

Net interest income is the difference between the income earned on interest-earning assets and interest paid on interest-bearing liabilities used to support such assets. The major factors which affect net interest income are changes in volumes, the yield on interest-earning assets and the cost of interest-bearing liabilities. Our management's ability to respond to changes in interest rates by effective asset-liability management techniques is critical to maintaining the stability of the net interest margin and the momentum of our primary source of earnings.

Taxable-equivalent net interest income increased $2,163,000, or 14.29%, to $17,299,000 for the three months ended March 31, 2011 compared to $15,137,000 in 2010. This increase was primarily attributable to growth in average earning assets. The taxable-equivalent yield on interest-earning assets decreased to 4.75% for the three months ended March 31, 2011 from 5.13% for the same period in 2010. The yield on loans for the three months ended March 31, 2011 was 5.29% compared to 5.37% for the same period in 2010. Loan fees included in the yield calculation decreased from $187,000 in 2010 to $152,000 in 2011. The average rate paid on total interest-bearing liabilities decreased to 1.08% for the three months ended March 31, 2011 from 1.17% for the same period in 2010. Partially offsetting this decrease in rate on interest-bearing liabilities was $61,000 in expense during the first quarter 2011 associated with marking to market an interest rate cap we entered into in August 2010 (see Note 7 to the Consolidated Financial Statements).

The following tables show, for the three months ended March 31, 2011 and 2010, the average balances of each principal category of our assets, liabilities and stockholders' equity, and an analysis of net interest revenue. The accompanying tables reflect changes in our net interest margin as a result of changes in the volume and rate of our interest-earning assets and interest-bearing liabilities for the same periods. Changes as a result of mix or the number of days in the periods have been allocated to the volume and rate changes in proportion to the relationship of the absolute dollar amounts of the change in each. The tables are presented on a taxable-equivalent basis where applicable:

Average Balance Sheets and Net Interest Analysis
On a Fully Taxable-Equivalent Basis
For the Three Months Ended March 31,

| | 2011 | | | 2010 | | |
|---|---|---|---|---|---|---|
| | Average Balance | Interest Earned / Paid | Average Yield / Rate | Average Balance | Interest Earned / Paid | Average Yield / Rate |
| Assets: | | | | | | |
| Interest-earning assets: | | | | | | |
| Loans, net of unearned income (1) | $ 1,424,008 | $ 18,583 | 5.29 % | $ 1,220,293 | $ 16,170 | 5.37 % |
| Mortgage loans held for sale | 4,156 | 37 | 3.61 | 3,322 | 34 | 4.15 |
| Investment securities: | | | | | | |
| Taxable | 185,522 | 1,544 | 3.38 | 188,729 | 1,750 | 3.76 |
| Tax-exempt (2) | 77,032 | 1,038 | 5.46 | 53,826 | 754 | 5.68 |
| Total investment securities (3) | 262,554 | 2,582 | 3.99 | 242,555 | 2,504 | 4.19 |
| Federal funds sold | 72,817 | 36 | 0.20 | 3,496 | 2 | 0.23 |
| Restricted equity securities | 4,066 | 17 | 1.70 | 3,748 | 12 | 1.30 |
| Interest-bearing balances with banks | 50,494 | 30 | 0.24 | 8,052 | 10 | 0.50 |
| Total interest-earning assets | $ 1,818,095 | $ 21,285 | 4.75 % | $ 1,481,466 | $ 18,732 | 5.13 % |
| Non-interest-earning assets: | | | | | | |
| Cash and due from banks | 25,810 | | | 22,191 | | |
| Net fixed assets and equipment | 4,846 | | | 5,242 | | |
| Allowance for loan losses, accrued interest and other assets | 13,717 | | | 20,740 | | |
| Total assets | $ 1,862,468 | | | $ 1,529,639 | | |
| | | | | | | |
| Liabilities and stockholders' equity: | | | | | | |
| Interest-bearing liabilities: | | | | | | |
| Interest-bearing demand deposits | $ 312,350 | $ 326 | 0.42 % | $ 223,780 | $ 308 | 0.56 % |
| Savings deposits | 6,676 | 9 | 0.55 | 1,898 | 2 | 0.43 |
| Money market accounts | 837,211 | 1,674 | 0.81 | 706,415 | 1,297 | 0.74 |
| Time deposits | 282,222 | 1,126 | 1.62 | 251,599 | 1,246 | 2.01 |
| Fed funds purchased | - | - | 0.00 | 18,720 | 29 | 0.63 |
| Other borrowings | 54,528 | 851 | 6.33 | 42,679 | 714 | 6.78 |
| Total interest-bearing liabilities | $ 1,492,987 | $ 3,986 | 1.08 | $ 1,245,091 | $ 3,596 | 1.17 |
| Non-interest-bearing liabilities: | | | | | | |
| Non-interest-bearing demand deposits | 245,204 | | | 180,724 | | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Other liabilities | | 4,549 | | | | 3,589 | | |
| Stockholders' equity | | 116,811 | | | | 98,123 | | |
| Unrealized gains on securities and derivatives | | 2,917 | | | | 2,112 | | |
| Total liabilities and stockholders' equity | $ | 1,862,468 | | | $ | 1,529,639 | | |
| Net interest spread | | | 3.67 | % | | | 3.96 | % |
| Net interest margin | | | 3.86 | % | | | 4.14 | % |

(1) Non-accrual loans are included in average loan balances in all periods. Loan fees of $152,000 and $187,000 are included in interest income in 2011 and 2010, respectively.

(2) Interest income and yields are presented on a fully taxable equivalent basis using a tax rate of 35%.

(3) Unrealized gains of $4,690,000 and $2,783,000 are excluded from the yield calculation in 2011 and 2010, respectively.

| | Three Months Ended March 31, 2011 Compared to 2010 Increase (Decrease) in Interest Income and Expense Due to Changes in: | | |
|---|---|---|---|
| | Volume | Rate | Total |
| Interest-earning assets: | | | |
| Loans, net of unearned income | 2,661 | (248 ) | 2,413 |
| Mortgages held for sale | 7 | (4 ) | 3 |
| Investment securities: | | | |
| Securities - taxable | (30 ) | (176 ) | (206 ) |
| Securities - non taxable | 314 | (30 ) | 284 |
| Federal funds sold | 34 | - | 34 |
| Restricted equity securities | 1 | 4 | 5 |
| Interest-bearing balances with banks | 27 | (7 ) | 20 |
| Total interest-earning assets | 3,014 | (461 ) | 2,553 |
| | | | |
| Interest-bearing liabilities: | | | |
| Interest-bearing demand deposits | 103 | (85 ) | 18 |
| Savings | 6 | 1 | 7 |
| Money market accounts | 255 | 122 | 377 |
| Time deposits | 140 | (260 ) | (120 ) |
| Fed funds purchased | (15 ) | (14 ) | (29 ) |
| Other borrowed funds | 188 | (51 ) | 137 |
| Total interest-bearing liabilities | 677 | (287 ) | 390 |
| Increase in net interest income | 2,337 | (174 ) | 2,163 |

Provision for Loan Losses

The provision for loan losses represents the amount determined by management to be necessary to maintain the allowance for loan losses at a level capable of absorbing inherent losses in the loan portfolio.  Our management reviews the adequacy of the allowance for loan losses on a quarterly basis.  The allowance for loan losses calculation is segregated into various segments that include classified loans, loans with specific allocations and pass rated loans.  A pass rated loan is generally characterized by a very low to average risk of default and in which management perceives there is a minimal risk of loss.  Loans are rated using a nine-point risk grade scale with loan officers having the primary responsibility for assigning risk grades and for the timely reporting of changes in the risk grades.  These processes, and the assigned risk grades, the criticized and classified loans in the portfolio are segregated into the following regulatory classifications:  Special Mention, Substandard, Doubtful or Loss, with some general allocation of reserve based on these grades.  At March 31, 2011, total loans rated Special Mention, Substandard, and Doubtful were $95.3 million, or 6.48% of total loans, compared to $98.3 million, or 7.05% of total loans, at December 31, 2010.  Impaired loans are reviewed specifically and separately under FASB ASC 310-30-35, Subsequent Measurement of Impaired Loans, to determine the appropriate reserve allocation.  Our management compares the investment in an impaired loan with the present value of expected future cash flow discounted at the loan's effective interest rate, the loan's observable market price or the fair value of the collateral, if the loan is collateral-dependent, to determine the specific reserve allowance.  Reserve percentages assigned to non-impaired loans are based on historical charge-off experience adjusted for other risk factors.  To evaluate the overall adequacy of the allowance to absorb losses inherent in our loan portfolio, our management considers historical loss experience based on volume and types of loans, trends in classifications, volume and trends in delinquencies and non-accruals, economic conditions and other pertinent information.  Based on future evaluations, additional provisions for loan losses may be necessary to maintain the

allowance for loan losses at an appropriate level.

The provision expense for loan losses was $2.2 million for the three months ended March 31, 2011, a decrease of $0.5 million from $2.7 million for the three months ended March 31, 2010. Also, nonperforming loans increased to $22.0 million, or 1.50% of total loans at March 31, 2011, from $14.3 million, or 1.02%, of total loans at December 31, 2010. For the first three months of 2011, we had net charged-off loans totaling $1.1 million, compared to net charged-off loans of $2.0 million for the first three months of 2010. The allowance for loan losses totaled $19.2 million, or 1.31% of total loans, net of unearned income at March 31, 2011, compared to $18.1 million, or 1.30% of loans, net of unearned income, at December 31, 2010.

Noninterest Income

Noninterest income totaled $1,271,000 for the three months ended March 31, 2011, an increase of $139,000, or 12.28%, compared to the same period in 2010. This increase was primarily attributable to gains on the sale of available-for-sale securities during the first quarter of 2011. Income from customer service charges and fees for the three months ended March 31, 2011 were practically unchanged at $567,000 compared to $572,000 for the same period in 2010. Income from mortgage banking operations for the three months ended March 31, 2011 was $351,000, a decrease of $63,000, or 15.22%, from $414,000 for the same period in 2010. The sale of OREO resulted in a gain of $32,000 during the three months ended March 31, 2011 compared to a loss of $52,000 during the same period in 2010.

Noninterest Expense

Noninterest expense totaled $8,597,000 for the three months ended March 31, 2011, an increase of $1,339,000, or 18.45%, compared to $7,258,000 in 2010. The increase was primarily attributable to increased salary and benefit costs and occupancy expense associated with opening a new office in Dothan in 2010, expenses in preparation for opening a new office in Pensacola, Florida on April 1, 2011, and entering the correspondent banking business during the first quarter 2011. Salary and benefit expense increased $732,000, or 21.02% to $4,214,000 for the three months ended March 31, 2011 from $3,482,000 for the same period in 2010. We had 189 full-time equivalent employees at March 31, 2011 compared to 154 at March 31, 2010, a 22.73% increase. Occupancy expense increased $106,000, or 13.59%, to $886,000 for the three months ended March 31, 2011 from $780,000 for the same period in 2010. Data processing expenses increased $101,000, or 20.95%, to $583,000 for the three months ended March 31, 2011 from $482,000 for the same period in 2010. This increase is the result of increased number of accounts and higher transaction volumes. Our FDIC assessment for the three months ended March 31, 2011 was $732,000, an increase of $98,000, or 15.46%, from $634,000 in assessments during the same period in 2010. Expenses related to OREO decreased to $254,000 for the three months ended March 31, 2011, from $305,000 for the same period in 2010. This represents a $51,000, or 16.72%, decrease.

Income Tax Expense

Income tax expense was $2,548,000 for the three months ended March 31, 2011 versus $2,055,000 for the same period in 2010. Our effective tax rate for the three months ended March 31, 2011 was 34.34% compared to 33.87% for the same period in 2010. Our primary permanent differences are related to SFAS 123(R) option expenses and tax-free income.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Like all financial institutions, we are subject to market risk from changes in interest rates. Interest rate risk is inherent in the balance sheet due to the mismatch between the maturities of rate-sensitive assets and rate-sensitive liabilities. If rates are rising, and the level of rate-sensitive liabilities exceeds the level of rate-sensitive assets, the net interest margin will be negatively impacted. Conversely, if rates are falling, and the level of rate-sensitive liabilities is greater than the level of rate-sensitive assets, the impact on the net interest margin will be favorable. Managing interest rate risk is further complicated by the fact that all rates do not change at the same pace; in other words, short-term rates may be rising while longer-term rates remain stable. In addition, different types of rate-sensitive assets and rate-sensitive liabilities react differently to changes in rates.

To manage interest rate risk, we must take a position on the expected future trend of interest rates. Rates may rise, fall or remain the same. Our asset-liability committee develops its view of future rate trends and strives to manage rate risk within a targeted range by monitoring economic indicators, examining the views of economists and other experts, and understanding the current status of our balance sheet. Our annual budget reflects the anticipated rate environment for the next 12 months. The asset-liability committee conducts a quarterly analysis of the rate sensitivity position and reports its results to our board of directors.

The asset-liability committee thoroughly analyzes the maturities of rate-sensitive assets and liabilities. This analysis measures the “gap”, which is defined as the difference between the dollar amount of rate-sensitive assets repricing during a period and the volume of rate-sensitive liabilities repricing during the same period. The gap is also expressed as the ratio of rate-sensitive assets divided by rate-sensitive liabilities. If the ratio is greater than one, the dollar value of assets exceeds the dollar value of liabilities; the balance sheet is “asset-sensitive.” Conversely, if the value of liabilities exceeds the value of assets, the ratio is less than one and the balance sheet is “liability-sensitive.” Our internal policy requires management to maintain the gap such that net interest margins will not change more than 10% if interest rates change 100 basis points or more than 15% if interest rates change 200 basis points.

## ITEM 4. CONTROLS AND PROCEDURES

CEO and CFO Certification.

Appearing as exhibits to this report are Certifications of our Chief Executive Officer (“CEO”) and our Chief Financial Officer (“CFO”). The Certifications are required to be made by Rule 13a-14 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). This item contains the information about the evaluation that is referred to in the Certifications, and the information set forth below in this Item 4 should be read in conjunction with the Certifications for a more complete understanding of the Certifications.

Evaluation of Disclosure Controls and Procedures.

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

We conducted an evaluation (the “Evaluation”) of the effectiveness of the design and operation of our disclosure controls and procedures under the supervision and with the participation of our management, including our CEO and CFO, as of March 31, 2011. Based upon the Evaluation, our CEO and CFO have concluded that, as of March 31, 2011, our disclosure controls and procedures are effective to ensure that material information relating to ServisFirst Bancshares, Inc. and its subsidiaries is made known to management, including the CEO and CFO, particularly during the period when our periodic reports are being prepared.

There have not been any changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting, except as previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2010.

## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

From time to time we may be a party to various legal proceedings arising in the ordinary course of business. We are not currently a party to any material legal proceedings except as disclosed in Item 3, “Legal Proceedings”, in our Annual Report on Form 10-K for the fiscal year ended December 31, 2010, and there has been no material change in any matter described therein.

### ITEM 1A. RISK FACTORS

Our business is influenced by many factors that are difficult to predict, involve uncertainties that may materially affect actual results and are often beyond our control. We have identified a number of these risk factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 2010, which should be taken into consideration when reviewing the information contained in this report. There have been no material changes with regard to the risk factors previously disclosed in the Form 10-K. For other factors that may cause actual results to differ materially from those indicated in any forward-looking statement or projection contained in this report, see “Forward-Looking Statements” under Part 1, Item 2 above.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

All information required by this Item has previously been reported on Form 8-K.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

### ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

(a) Exhibit:
31.01 Certification of principal executive officer pursuant to Rule 13a-14(a).
31.02 Certification of principal financial officer pursuant to Rule 13a-14(a).
32.01 Certification of principal executive officer pursuant to 18 U.S.C. Section 1350.
32.02 Certification of principal financial officer pursuant to 18 U.S.C. Section 1350.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SERVISFIRST BANCSHARES, INC.

| | | |
|---|---|---|
| Date: May 3, 2011 | By | /s/ Thomas A. Broughton, III<br>Thomas A. Broughton, III<br>President and Chief Executive Officer |
| Date: May 3, 2011 | By | /s/ William M. Foshee<br>William M. Foshee<br>Chief Financial Officer |