

ServisFirst Bancshares, Inc.  
Form 10-Q  
October 30, 2018

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

---

**FORM 10-Q**

(Mark one)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934  
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2018**

**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 001-36452**

**SERVISFIRST BANCSHARES, INC.**

(Exact Name of Registrant as Specified in Its Charter)

**Delaware**

**26-0734029**

*(State or Other Jurisdiction of (I.R.S. Employer  
Incorporation or Organization) Identification No.)*

**2500 Woodcrest Place, Birmingham, Alabama 35209**

*(Address of Principal Executive Offices) (Zip Code)*

**(205) 949-0302**

*(Registrant's Telephone Number, Including Area Code)*

**Title of each class**

**Name of exchange on which registered**

Common stock, par value \$.001 per share The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act:

None

(Title of Class)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or Section 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  
Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer      Accelerated filer      Non-accelerated filer      Smaller reporting company      Emerging growth company

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date.

<b><u>Class</u></b>	<b><u>Outstanding as of October 25, 2018</u></b>
Common stock, \$.001 par value	53,292,233

**TABLE OF CONTENTS**

<u>PART I. FINANCIAL INFORMATION</u>	<u>3</u>
<u>Item 1. Financial Statements</u>	<u>3</u>
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>27</u>
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	<u>42</u>
<u>Item 4. Controls and Procedures</u>	<u>43</u>
<u>PART II. OTHER INFORMATION</u>	<u>43</u>
<u>Item 1. Legal Proceedings</u>	<u>43</u>
<u>Item 1A. Risk Factors</u>	<u>43</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>44</u>
<u>Item 3. Defaults Upon Senior Securities</u>	<u>44</u>
<u>Item 4. Mine Safety Disclosures</u>	<u>44</u>
<u>Item 5. Other Information</u>	<u>44</u>
<u>Item 6. Exhibits</u>	<u>44</u>
<u>EX-31.01 SECTION 302 CERTIFICATION OF THE CEO</u>	
<u>EX-31.02 SECTION 302 CERTIFICATION OF THE CFO</u>	
<u>EX-32.01 SECTION 906 CERTIFICATION OF THE CEO</u>	
<u>EX-32.02 SECTION 906 CERTIFICATION OF THE CFO</u>	

**PART 1. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS**

## SERVISFIRST BANCSHARES, INC.

## CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share amounts)

	September 30, 2018 (Unaudited)	December 31, 2017 (1)
<b>ASSETS</b>		
Cash and due from banks	\$77,692	\$86,213
Interest-bearing balances due from depository institutions	59,096	151,849
Federal funds sold	229,033	239,524
Cash and cash equivalents	365,821	477,586
Available for sale debt securities, at fair value	578,021	538,080
Held to maturity debt securities (fair value of \$250 at September 30, 2018 and December 31, 2017)	250	250
Equity securities	889	1,034
Mortgage loans held for sale	5,277	4,459
Loans	6,363,531	5,851,261
Less allowance for loan losses	(66,879 )	(59,406 )
Loans, net	6,296,652	5,791,855
Premises and equipment, net	57,882	58,900
Accrued interest and dividends receivable	24,755	20,661
Deferred tax assets	12,268	13,022
Other real estate owned and repossessed assets	5,714	6,701
Bank owned life insurance contracts	129,869	127,519
Goodwill and other identifiable intangible assets	14,517	14,719
Other assets	25,918	27,598
Total assets	\$7,517,833	\$7,082,384
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Liabilities:</b>		
<b>Deposits:</b>		
Noninterest-bearing	\$1,504,447	\$1,440,326
Interest-bearing	5,000,904	4,651,348
Total deposits	6,505,351	6,091,674
Federal funds purchased	246,094	301,797
Other borrowings	64,657	64,832
Accrued interest payable	8,562	4,971

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

Other liabilities	11,659	11,506
Total liabilities	6,836,323	6,474,780
Stockholders' equity:		
Preferred stock, par value \$0.001 per share; 1,000,000 authorized and undesignated at September 30, 2018 and December 31, 2017	-	-
Common stock, par value \$0.001 per share; 100,000,000 shares authorized; 53,197,807 shares issued and outstanding at September 30, 2018, and 52,992,586 shares issued and outstanding at December 31, 2017	53	53
Additional paid-in capital	218,062	217,693
Retained earnings	472,681	389,554
Accumulated other comprehensive loss	(9,788 )	(198 )
Total stockholders' equity attributable to ServisFirst Bancshares, Inc.	681,008	607,102
Noncontrolling interest	502	502
Total stockholders' equity	681,510	607,604
Total liabilities and stockholders' equity	\$7,517,833	\$7,082,384

(1) Derived from audited financial statements.

See Notes to Consolidated Financial Statements.

## SERVISFIRST BANCSHARES, INC.

## CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except share and per share amounts)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Interest income:				
Interest and fees on loans	\$78,991	\$63,857	\$222,285	\$179,325
Taxable securities	3,276	2,288	9,148	6,649
Nontaxable securities	583	729	1,862	2,246
Federal funds sold	892	379	2,137	1,185
Other interest and dividends	316	388	1,031	1,291
Total interest income	84,058	67,641	236,463	190,696
Interest expense:				
Deposits	15,210	7,574	36,545	19,877
Borrowed funds	1,985	1,671	6,097	4,804
Total interest expense	17,195	9,245	42,642	24,681
Net interest income	66,863	58,396	193,821	166,015
Provision for loan losses	6,624	4,803	14,884	14,170
Net interest income after provision for loan losses	60,239	53,593	178,937	151,845
Noninterest income:				
Service charges on deposit accounts	1,595	1,467	4,833	4,203
Mortgage banking	789	978	2,096	2,941
Credit card income	1,838	1,149	5,172	3,517
Securities gains	186	-	190	-
Increase in cash surrender value life insurance	787	825	2,350	2,334
Other operating income	396	371	1,278	1,146
Total noninterest income	5,591	4,790	15,919	14,141
Noninterest expenses:				
Salaries and employee benefits	13,070	12,428	39,464	36,172
Equipment and occupancy expense	2,193	1,947	6,260	6,452
Professional services	853	805	2,582	2,384
FDIC and other regulatory assessments	675	810	2,967	2,888
OREO expense	289	31	765	163
Other operating expenses	6,070	5,476	18,634	16,580
Total noninterest expenses	23,150	21,497	70,672	64,639
Income before income taxes	42,680	36,886	124,184	101,347
Provision for income taxes	8,120	11,627	23,481	29,405
Net income	34,560	25,259	100,703	71,942

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

Preferred stock dividends	-	-	31	31
Net income available to common stockholders	\$34,560	\$25,259	\$100,672	\$71,911
Basic earnings per common share	\$0.65	\$0.48	\$1.89	\$1.36
Diluted earnings per common share	\$0.64	\$0.47	\$1.86	\$1.33

See Notes to Consolidated Financial Statements.



## SERVISFIRST BANCSHARES, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net income	\$34,560	\$25,259	\$100,703	\$71,942
Other comprehensive (loss) income, net of tax:				
Unrealized holding (losses) gains arising during period from securities available for sale, net of tax of \$(653) and \$(2,589) for the three and nine months ended September 30, 2018, respectively, and \$165 and \$896 for the three and nine months ended September 30, 2017, respectively	(2,463 )	305	(9,740 )	1,672
Reclassification adjustment for gains on sale of securities, net of tax of \$39 and \$40 for the three and nine months ended September 30, 2018, respectively	147	-	150	-
Other comprehensive (loss) income, net of tax	(2,316 )	305	(9,590 )	1,672
Comprehensive income	\$32,244	\$25,564	\$91,113	\$73,614

See Notes to Consolidated Financial Statements.

SERVISFIRST BANCSHARES, INC.  
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY  
(In thousands, except share amounts)  
(Unaudited)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Noncontrolling Interest	Total Stockholders' Equity
Balance, December 31, 2016	\$ -	\$ 53	\$ 215,932	\$ 307,151	\$ (624 )	\$ 377	\$ 522,889
Common dividends paid, \$0.10 per share	-	-	-	(5,286 )	-	-	(5,286 )
Common dividends declared, \$0.05 per share	-	-	-	(2,649 )	-	-	(2,649 )
Preferred dividends paid	-	-	-	(31 )	-	-	(31 )
Issue 328,214 shares of common stock upon exercise of stock options	-	-	1,784	-	-	-	1,784
30,786 shares of common stock withheld in net settlement upon exercise of stock options	-	-	(1,149 )	-	-	-	(1,149 )
Issue 125 shares of REIT preferred stock	-	-	-	-	-	125	125
Stock-based compensation expense	-	-	916	-	-	-	916
Other comprehensive income, net of tax	-	-	-	-	1,672	-	1,672
Net income	-	-	-	-	-	-	-