

ServisFirst Bancshares, Inc.
Form S-1/A
May 05, 2014

As filed with the Securities and Exchange Commission on May 5, 2014

Registration No. 333-193401

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

PRE-EFFECTIVE AMENDMENT NO. 4

TO FORM S-3 ON

FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

SERVISFIRST BANCSHARES, INC.

(Exact name of registrant as specified in its charter)

Delaware 6022 26-0734029
(State or other jurisdiction of (Primary Standard Industrial (I.R.S. Employee
incorporation or organization) Classification Code Number) Identification Number)

**850 Shades Creek Parkway, Suite 200
Birmingham, Alabama 35209
(205) 949-0302**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**Thomas A. Broughton, III
President and Chief Executive Officer
ServisFirst Bancshares, Inc.
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**Birmingham, Alabama 35209
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(Name, address, including zip code, and telephone number including area code, of agent for service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box: "

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

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 definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check one).

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>

" (Do not check if a smaller reporting company)

CALCULATION OF REGISTRATION FEE

Title of Shares to be Registered	Amount to be Registered ⁽¹⁾	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price ⁽²⁾	Amount of Registration Fee ⁽³⁾
Common Stock, par value \$0.001 per share	718,750	\$93.00	\$66,843,750	\$8,609.48

(1) Includes 93,750 shares of common stock that the underwriters have the option to purchase pursuant to their over-allotment option.

(2) Estimated solely for purposes of calculating the registration fee in accordance with Rule 457(a) of the Securities Act of 1933.

(3) Previously paid.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed or supplemented. We may not sell any of the securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell the securities described herein and we are not soliciting offers to buy the securities described herein in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED MAY 5, 2014

625,000 Shares

PROSPECTUS

Common Stock

This prospectus relates to the initial public offering of ServisFirst Bancshares, Inc.'s common stock. We are offering 625,000 shares of our common stock.

Prior to this offering, there has been no established public market for our common stock. We currently estimate that the initial public offering price per share of our common stock will be between \$91.00 and \$93.00 per share. We have applied to list our common stock on The Nasdaq Global Market under the symbol "SFBS".

See "Risk Factors," beginning on page 19, for a discussion of certain risks that you should consider before making an investment decision to purchase our common stock.

	Per Share	Total
Initial public offering price	\$	\$
Underwriting discount ⁽¹⁾	\$	\$
Proceeds to us, before expenses	\$	\$

⁽¹⁾ See "*Underwriting*" for additional information regarding the underwriting discount and certain expenses payable to the underwriters by us.

We have granted the underwriters an option to purchase up to an additional 93,750 shares of our common stock at the initial public offering price less the underwriting discount, within 30 days from the date of this prospectus, to cover over-allotments.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The shares of our common stock that you purchase in this offering will not be savings accounts, deposits or other obligations of any of our bank or non-bank subsidiaries and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency.

The underwriters expect to deliver the shares of our common stock against payment in New York, New York on _____, 2014.

Sandler O'Neill + Partners, L.P.

Raymond James

Prospectus dated _____, 2014

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About this Prospectus

We and the underwriters have not authorized anyone to provide any information other than that contained in this prospectus or in any free writing prospectus prepared by or on behalf of us or to which we have referred you. We and the underwriters take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We are not, and the underwriters are not, making an offer of these securities in any jurisdiction where the offer is not permitted. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front of this prospectus.

No action is being taken in any jurisdiction outside the United States to permit a public offering of our securities or possession or distribution of this prospectus in that jurisdiction. Persons who come into possession of this prospectus in jurisdictions outside the United States are required to inform themselves about, and to observe, any restrictions as to the offering and the distribution of this prospectus applicable to those jurisdictions. Unless otherwise expressly stated or the context otherwise requires, all information in this prospectus assumes that the underwriters have not exercised their option to purchase additional shares of common stock.

Market Data

Market data used in this prospectus has been obtained from independent industry sources and publications as well as from research reports prepared for other purposes. Industry publications and surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable. We have not independently verified the data obtained from these sources. Forward-looking information obtained from these sources is subject to the same qualifications and the additional uncertainties regarding the other forward-looking statements in this prospectus.

PROSPECTUS SUMMARY

This summary highlights selected information contained elsewhere in this prospectus. This summary does not contain all of the information that you should consider before deciding to purchase common stock in this offering. You should read the entire prospectus carefully, including the section titled “Risk Factors,” our consolidated financial statements and the related notes thereto, and management’s discussion and analysis of financial condition and results of operations, before making an investment decision. Unless we state otherwise or the context otherwise requires, references in this prospectus to “we,” “our,” “us,” “the Company” and “ServisFirst” refer to ServisFirst Bancshares, Inc. and its subsidiaries, including ServisFirst Bank, which we sometimes refer to as “ServisFirst Bank,” “the bank,” “our bank subsidiary,” or “our bank,” except that such terms refer to only ServisFirst Bancshares, Inc. and not its subsidiaries in the section entitled “Description of Capital Stock.”

Overview

We are a bank holding company, headquartered in Birmingham, Alabama. Our wholly-owned subsidiary, ServisFirst Bank, provides commercial banking services through 12 full-service banking offices located in Alabama and the panhandle of Florida, as well as a loan production office in Nashville, Tennessee. Through our bank, we originate commercial, consumer and other loans and accept deposits, provide electronic banking services, such as online and mobile banking, including remote deposit capture, deliver treasury and cash management services and provide correspondent banking services to other financial institutions. As of March 31, 2014, our balance sheet was highlighted by total assets of approximately \$3.6 billion, total loans of approximately \$2.9 billion, total deposits of approximately \$3.0 billion and total stockholders’ equity of approximately \$312 million.

We operate our bank using a simple business model based on organic loan and deposit growth, generated through high quality customer service, delivered by a team of experienced bankers focused on developing and maintaining long-term banking relationships with our target customers. We utilize a uniform, centralized back office risk and credit platform to support a decentralized decision-making process executed locally by our regional chief executive officers. This decentralized decision-making process allows individual lending officers varying levels of lending authority, based on the experience of the individual officer. When the total amount of loans to a borrower exceeds an officer’s lending authority, further approval must be obtained by the applicable regional chief executive officer (G. Carlton Barker – Montgomery, Andrew N. Kattos – Huntsville, Ronald A. DeVane – Dothan, Rex D. McKinney – Pensacola or W. Bibb Lamar, Jr. – Mobile) and/or our senior management team. Our strategy focuses on operating a limited and efficient branch network with sizable aggregate balances of total loans and deposits housed in each branch office. We believe this approach more appropriately addresses our customers’ banking needs and reflects a superior delivery strategy for commercial banking services. Our strategy allows us to deliver targeted, high quality customer service, while achieving significantly lower efficiency ratios relative to the banking industry, as evidenced by our efficiency ratios of 45.54%, 41.54% and 38.78% for the years 2011, 2012 and 2013, respectively.

We believe our balance sheet and business lines reflect our focus, and that the execution of our business model has driven our success, including, for the years ended December 31, 2011, 2012 and 2013, respectively:

- organic deposit growth of 21.90%, 17.15% and 20.23%;
- organic loan growth of 31.38%, 29.20% and 21.02%;
- earnings per share growth of 24.30%, 41.36% and 14.03%; and
- return on average common equity of 17.01%, 19.41% and 18.30%.

Our disciplined and centralized risk and credit platform, we believe, has allowed us to achieve these levels of growth and financial performance, while maintaining exceptional asset quality, including, for the years ended December 31, 2011, 2012 and 2013, respectively:

- non-performing assets to total assets ratios of 1.06%, 0.69% and 0.64%; and
- net charge-offs to average loans ratios of 0.32%, 0.24% and 0.33%.

Recent Developments

On April 25, 2014, we filed with the Securities and Exchange Commission (the “SEC”) on Form 10-Q our unaudited financial results for the quarter ended March 31, 2014. We reported net income of \$11.8 million and net income available to common stockholders of \$11.7 million for the quarter, compared to net income of \$9.3 million and net income available to common stockholders of \$9.2 million for the same quarter in 2013. Basic and diluted earnings per common share were \$1.58 and \$1.52, respectively, for the first quarter of 2014, compared to \$1.44 and \$1.31, respectively, for the first quarter of 2013.

Non-interest expense for the first quarter of 2014 increased \$2.9 million, or 27%, to \$13.7 million from \$10.8 million in the first quarter of 2013. This increase consists primarily of a \$1.3 million, or 23%, increase in salaries and employee benefits related to new hires to fill positions in our newer markets of Mobile, Alabama and Nashville, Tennessee, a \$300,000 increase in equipment and occupancy expense in these markets attributable to such expansion and a non-routine expense of \$703,000 resulting from an immaterial correction of our accounting for vested stock options previously granted to members of our advisory boards in our Dothan, Huntsville and Montgomery, Alabama markets. We historically accounted for these options under the provisions of FASB ASC 718-10, Compensation – Stock Compensation, and now have determined to recognize as an expense the fair value of these vested options in accordance with the provisions of FASB ASC Topic 505-50, Equity-Based Payments to Non-Employees. This correction in accounting treatment is a non-cash item and does not impact our operating activities or cash from operations. For additional information regarding our financial results for the first quarter of 2014, see the section titled “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments*”.

We previously granted in December 2013 to our Pensacola, Florida and Mobile, Alabama advisory board members a total of 35,000 stock options, which vest on the fifth anniversary of the date of grant. Consistent with the correction of the accounting treatment for the options granted to our Dothan, Huntsville and Montgomery, Alabama advisory board members, we account for these options in accordance with FASB ASC Topic 505-50. FASB ASC Topic 505-50 requires that we recognize as an expense during each reporting period changes in the fair value of the unvested portion of such options, determined using a Black-Scholes option pricing model. In order to reduce the future uncertainty and variability of expense associated with these unvested options under FASB ASC Topic 505-50, on April 21, 2014, our compensation committee approved a modification to the 35,000 stock options to accelerate the vesting of these options. This modification will accelerate the five year vesting period of these stock options to the date on which we enter into an underwriting agreement with the underwriters named herein, or, alternatively, if we determine not to proceed with the offering, the date we make such a determination. The compensation committee determined that the appropriate calculation of the fair value of the accelerated options should be based on the initial public offering price of our common stock. Accordingly, if the initial public offering price of our common stock occurs at \$93.00, which is the high end of the range set forth on the cover page of this prospectus, we anticipate recording a one-time expense of \$1.78 million in the second quarter of 2014. We anticipate recognizing a tax benefit of approximately \$623,000 in connection with this additional expense, and, accordingly, expect to record in the second quarter a net after tax expense increase of approximately \$1.2 million with respect to this item. This correction in accounting treatment will be a non-cash item and will not impact our operating activities or cash from operations.

Our History

Our bank was founded by our President and Chief Executive Officer, Thomas A. Broughton, III, and commenced banking operations in May 2005 following an initial capital raise of \$35 million, the largest capital raise by a *de novo* bank in the history of Alabama. We were incorporated as a Delaware corporation in August 2007 for the purpose of acquiring all of the common stock of our bank, and in November 2007 our holding company became the sole shareholder of the bank by virtue of a plan of reorganization and agreement of merger. In May 2008, following our filing of a registration statement on Form 10 with the SEC, we became a reporting company within the meaning of the Securities Exchange Act of 1934 (the “Exchange Act”) and have been filing annual, quarterly, and current reports, proxy statements and other information with the SEC since 2008.

Since inception, our bank has achieved significant growth, all of which has been generated organically. We achieved total asset milestones of \$1 billion in 2008, \$2 billion in 2011 and \$3 billion in 2013. In addition to total asset milestones, we have opened offices in six new markets, and raised an aggregate of approximately \$55.1 million to support our growth in these new locations through five separate private placements of our common stock to predominately local, individual investors.

Our Business Strategy

We are a full service commercial bank focused on providing competitive products, state of the art technology and quality service. Our business philosophy is to operate as a metropolitan community bank emphasizing prompt, personalized customer service to the individuals and businesses located in our primary markets. We aggressively market to our target customers, which include privately held businesses with \$2 million to \$250 million in annual sales, professionals and affluent consumers whom we believe are underserved by the larger regional banks operating in our markets. We also seek to capitalize on the extensive relationships that our management, directors, advisory directors and stockholders have with the businesses and professionals in our markets. We believe this philosophy has attracted, and will continue to attract, valuable customers and capture market share historically controlled by other financial institutions operating in our markets.

Focus on Core Banking Business. We deliver a broad array of core banking products to our customers. While many large regional competitors and national banks have chosen to develop non-traditional business lines to supplement their net interest income, we believe our focus on traditional commercial banking products driven by a high margin delivery system is a superior method to deliver returns to our stockholders. We emphasize an internal culture of keeping our operating costs as low as practical, which in turn leads to greater operational efficiency. Additionally, our centralized technology and process infrastructure contribute to our low operating costs. We believe this combination of products, operating efficiency and technology make us attractive to customers in our markets. In addition, in 2011 we began providing correspondent banking services to various smaller community banks in our markets, and currently act as a correspondent bank to approximately 160 community banks located throughout the southeastern United States. We provide a source of clearing and liquidity to our correspondent bank customers, as well as a wide array of account, credit, settlement and international services. We believe this service is of a scale and quality that is unique for a bank our size and provides us with a solid revenue stream and supplemental low cost source of funds.

Commercial Bank Emphasis. We have historically focused on people as opposed to places. This strategy translates into a smaller number of brick and mortar branch locations relative to our size, but larger overall branch sizes in terms of total deposits. As a result, our branches average approximately \$253 million in total deposits, and our branches that have been open at least three years average approximately \$341 million in total deposits. In the more typical retail banking model, branch banks continue to lose traffic to other banking channels which may prove to be an impediment to earnings growth for those banks that have invested in large branch networks. In addition, unlike many traditional community banks, we place a strong emphasis on originating commercial and industrial loans, which comprised approximately 44.5% of our total loan portfolio as of March 31, 2014. We believe our commercial and industrial lending expertise will fuel our continued loan growth in the future.

Scalable, Decentralized Business Model. We emphasize local decision-making by experienced bankers supported by centralized risk and credit oversight. We believe that the delivery by our bankers of in-market customer decisions, coupled with risk and credit support from our corporate headquarters, allows us to serve our borrowers and depositors directly and in person, while managing risk centrally and on a uniform basis. We intend to continue our growth by repeating this scalable model in each market in which we are able to identify a strong banking team. Our goal in each market is to employ the highest quality bankers in that market. We then empower those bankers to implement our operating strategy, grow our customer base and provide the highest level of customer service possible. We focus on a geographic model of organizational structure as opposed to a line of business model employed by most regional banks. This structure assigns significant responsibility and accountability to our regional chief executive officers, who we believe will drive our growth and success. We have developed a business culture whereby our management team, from the top down, is actively involved in sales, which we believe is a key differentiator from our competition.

Identify Opportunities in Vibrant Markets. Since opening our original banking facility in Birmingham in 2005, we have expanded into six additional markets. Our focus has been to expand opportunistically when we identify a strong banking team in a market with attractive economic characteristics and market demographics where we believe we can achieve a minimum of \$300 million in deposits within five years of market entry. There are two primary factors we consider when determining whether to enter a new market:

- the availability of successful, experienced bankers with strong reputations in the market; and

- the economic attributes of the market necessary to drive quality lending opportunities coupled with deposit-related characteristics of the potential market.

Prior to entering a new market, we identify and build a team of experienced, successful bankers with market-specific knowledge to lead the bank's operations in that market, including a regional chief executive officer. Generally, we or members of our senior management team are familiar with these individuals based on prior work experience and reputation, and strongly believe in the ability of such individuals to successfully execute our business model. We also assemble a non-voting advisory board of directors in each market, comprised of directors representing a broad spectrum of business experience and community involvement in the market. We currently have advisory boards in each of the Huntsville, Montgomery, Dothan, Mobile and Pensacola markets. While we currently have a loan production office in Nashville, Tennessee with three experienced bankers (one of whom was hired in January 2014), we anticipate expanding this office into a full-service branch in the future, assuming that we are able to identify and retain a full team of experienced bankers whom we believe can successfully effect our strategy.

In connection with opening a full-service banking office in a new market, historically we have raised capital through private placements to investors in the local market, many of whom are also customers of our bank in such market. We believe that having many of our customers who are also stockholders provides us with a strong source of core deposits, aligns our and our customers' interests, and fosters a platform for developing and maintaining the long-term

banking relationships we seek.

To date, we have not supplemented our organic deposit and loan growth with traditional mergers or acquisitions. However, we view our organic growth strategy as a form of acquisition strategy, insofar as we have successfully hired qualified teams of experienced bankers in each new market we have entered, and have built significantly sized franchises in those markets within a short time following our entry into the new market. We believe that our success in attracting these teams of bankers has allowed us to achieve growth attributes similar to competitors that have chosen to execute traditional mergers or acquisitions, but without the addition of goodwill and resulting capital pressures attendant to traditional merger and acquisition strategies. In addition to organic expansion, we may seek to expand through targeted acquisitions. Although we have not yet identified any specific acquisition opportunity that meets our strict requirements, including a limited number of branches serving a vibrant market with a strong deposit base, a premier banking team with individuals whom we believe can execute our business model, and available at a price that we believe provides attractive risk-adjusted returns, we routinely evaluate potential acquisition opportunities that we believe would be complementary to our business. We do not, however, have any immediate plans, arrangements or understandings relating to any acquisition, and we do not believe an acquisition is necessary to successfully execute our business model.

Our Markets

Our primary markets are broadly defined as the metropolitan statistical areas (“MSAs”) of Birmingham-Hoover, Huntsville, Montgomery, Dothan and Mobile, Alabama, Pensacola-Ferry Pass-Brent, Florida, and Nashville, Tennessee. We draw most of our deposits from, and conduct most of our lending transactions in, these markets.

Although we may in the future identify additional new markets to enter, we believe that the long-term growth potential of each of our current markets is substantial, and that we have the ability to continue to grow organically by increasing our market share in these markets. We further believe that many local affluent professionals and small business owners will prefer to conduct their banking with local, independent institutions that offer a higher level of personalized service.

The following table illustrates our market share, by insured deposits as of the dates indicated, in our primary markets:

Market ⁽¹⁾	Date Opened	Total Branches	Our Market Deposits		Total Market Deposits ⁽²⁾	Rank ⁽²⁾	Market Share % ⁽²⁾
			June 30, 2013 ⁽²⁾	March 31, 2014			
(Dollars in millions)							
Alabama:							
Birmingham-Hoover	May 2005	3	\$1,217.3	\$1,393.1 ⁽³⁾	\$30,175.1	5	4.03%
Huntsville	August 2006	2	540.8	569.1	6,805.7	5	7.95%
Montgomery	June 2007	2	374.2	397.9	7,810.1	7	4.79%
Dothan	September 2008	2	327.1	357.6	2,883.9	3	11.34%
Mobile	July 2012 ⁽⁴⁾	1	15.2	71.4	6,041.6	18	0.25%
Florida:							
Pensacola-Ferry Pass-Brent	April 2011	2	202.9	245.9	4,638.0	8	4.38%
Tennessee:							
Nashville	April 2013	(5)	(5)	(5)	40,800.5	(5)	(5)

⁽¹⁾ Represents metropolitan statistical areas (MSAs).

⁽²⁾ As reported by the FDIC as of June 30, 2013.

⁽³⁾ Includes approximately \$20.5 million in deposits attributable to our loan production office in Nashville, Tennessee.

⁽⁴⁾ Opened in July 2012 as a loan production office and in May 2013 converted to a full service branch.

⁽⁵⁾ Opened as a loan production office.

Birmingham. Birmingham, the largest city in Alabama, is located in central Alabama 146 miles west of Atlanta, Georgia and 148 miles southwest of Chattanooga, Tennessee. The Birmingham-Hoover MSA's economy consists of a diverse mixture of traditional and emerging employment sectors. While metals manufacturing is an important historical sector, finance, insurance and healthcare services and distribution are the region's core economic sectors, and biological and medical technology, entertainment and diverse manufacturing have been identified as the region's emerging economic sectors. Large corporations headquartered or with a major presence in the region include Protective Life, HealthSouth Corporation, Vulcan Materials Company and AT&T. Additionally, The University of Alabama at Birmingham (UAB) is Alabama's largest single-site employer, and Birmingham is home to the largest nonprofit independent research laboratory in the southeastern United States, the Southern Research Institute.

Huntsville. We believe that Huntsville, located in northern Alabama mid-way between Birmingham and Nashville, Tennessee, offers substantial growth as one of the strongest technology economies in the nation, with over 300 companies performing sophisticated government, commercial and university research. Huntsville has one of the highest concentrations of engineers and Ph.D.'s in the United States and has a number of major government programs, including NASA and the U.S. Army. Huntsville also has one of the highest concentrations of *Inc.* 5000 companies in the United States and a number of offices of Fortune 500 companies. Major employers in Huntsville include the U.S. Army/Redstone Arsenal, the Boeing Company, NASA/Marshall Space Flight Center, Intergraph Corporation, ADTRAN, Inc., Northrop Grumman, Cinram, SAIC, DirecTV, Lockheed Martin and Toyota Motor Manufacturing of Alabama.

Montgomery. Montgomery, which is Alabama's capital, is located in south central Alabama between Birmingham and Mobile, Alabama. In addition to housing many Alabama government agencies, Montgomery is also home to Maxwell Gunter Air Force Base, which employs more than 12,500 people and includes Air University, the Air Force's center for leadership and education. In 2005, Hyundai Motor Manufacturing Alabama opened its Montgomery manufacturing plant, which was built with an initial capital investment of over \$1.4 billion, and has experienced subsequent expansions. The area has also benefited from Hyundai suppliers that have invested over \$550 million, creating 6,000 additional jobs.

Dothan. We believe that the Dothan MSA, which is located in the southeastern corner of Alabama near the Florida panhandle and Georgia state line, continues to hold great potential due to its position as a central agricultural trade hub, its accessibility to large distribution centers, it being home to several large corporations, and what we believe to be a low level of personalized banking services provided by other financial institutions in the area. The Dothan area is home to facilities of several large corporations, including Michelin, Pemco World Aviation, International Paper, Globe Motors and AAA Cooper Transportation. Additionally, the agriculture and agribusiness industries are thriving in the Dothan MSA, and the area is home to many successful farmers and related businesses. In addition, the nearby agricultural communities in northwest Florida and southwest Georgia often use Dothan as their agricultural trade hub. We believe the existence of these industries and the continuing growth in the area allows an opportunity for the bank to increase its presence and penetration in this market.

Pensacola. In April 2011, we opened our first office outside of Alabama in Pensacola, Florida, which is located in the Florida panhandle approximately 50 miles east of Mobile, Alabama, and 40 miles west of Fort Walton, Florida. The Pensacola and northwest Florida economies are driven by the tourism, military, health services, and medical technology industries. Six major military bases are located in northwest Florida: Eglin Air Force Base, Hurlburt Field, Pensacola Whiting Field, Naval Air Station Pensacola, Naval Air Station Panama City and Tyndall Air Force Base. Other major employers in the area include Sacred Heart Health Systems, Baptist Healthcare, West Florida Regional Medical Center, Gulf Power Company (Southern Company), the University of West Florida, International Paper, Ascend Performance Materials (Solutia), GE Wind Energy, Armstrong World Industries and Wayne Dalton Corporation. The Pensacola Bay area is also home to the Andrews Institute for Orthopaedics and Sports Medicine, a world-leading surgical and research center for human performance enhancement. Although this market was negatively impacted by the recent economic downturn, we believe this area has significant long-term growth potential.

Mobile. In July 2012, we opened a loan production office in Mobile, Alabama and, in May 2013, converted the location to a full-service banking office. The Mobile MSA is located in southwest Alabama approximately 31 miles from the Gulf of Mexico and is the largest metropolitan area along the Gulf between New Orleans, Louisiana and Tampa, Florida. The Mobile Bay region has over 23,000 businesses and is a center for finance, healthcare, education, manufacturing, transportation, construction, distribution, retail, trade and technology. With its strategic location, the Port of Mobile serves as a gateway between the southeastern United States and global destinations, and is served by 12 shipping lines offering service throughout the world. Virtually every service for the maritime industry can be found in this 310-plus-year old port city. The aviation/aerospace industry is another of the area's strong, growing industry sectors. A former U.S. Air Force base located on Mobile Bay near downtown Mobile, Brookley Aeroplex has been

transformed into a leading 1,700-acre industrial and trade aeroplex with deepwater port access and the capability of landing the Space Shuttle on one of its runways. The Mobile area is also served by five national Class I railroads.

Nashville. In April 2013, we opened a loan production office in Nashville, Tennessee, the state's capital. The Nashville MSA is located in central Tennessee and is home to over 1.8 million people and 40,000 businesses. Nashville, known as the "Music City" for its country music heritage, is also home to a diverse healthcare industry and is a center for manufacturing, transportation and technology in the area. Nashville has more than 250 healthcare companies headquartered in the region, including 16 publicly traded healthcare companies with combined employment of nearly 400,000 and \$70 billion in global revenue. The Nashville area is also considered a transportation hub, as it is one of only 12 U.S. cities with three major intersecting interstate highways. Notable companies with corporate headquarters in Nashville include HCA Holdings, Nissan North America, Dollar General Corporation, Asurion and Community Health Systems. Although we only recently opened our loan production facility in Nashville, we believe the market has great potential.

We compete with other retail and commercial banks and financial institutions in our markets. Although some of these institutions may attract customers and business by offering products at prices that do not achieve the returns we desire, we believe we can continue to compete effectively with these institutions by providing a wide array of financial products, depending on our reputation for greater personal service and flexibility, and making credit and other decisions promptly by utilizing our decentralized decision-making process.

Our Management Team

Led by Tom Broughton, our senior management team, board of directors and non-voting advisory boards have substantial business interests in the markets that we serve. We believe that our management and board's incentives are closely aligned with our stockholders through the ownership of a substantial amount of our stock. Our executive officers and board of directors own an aggregate of 1,141,296 shares of our common stock, including options to purchase shares of our common stock, or approximately 13.95% of the fully-diluted amount of our common stock outstanding, which percentage is not expected to materially change as a result of the offering. The combination of experienced leadership and stock ownership contribute to our culture of success, which we believe builds on itself and allows us to continue to attract and hire top-quality talent in each of our markets. The five members of our senior management team, each of whom is described in more detail below, have an average of 36 years of banking experience.

Thomas "Tom" A. Broughton, III: President and Chief Executive Officer. Mr. Broughton has served as our President and Chief Executive Officer since 2007 and as President and Chief Executive Officer of the bank since 2005. Mr. Broughton has over 30 years of extensive banking experience in Alabama, particularly in Birmingham. In 1985, Mr. Broughton was an organizer and President of First Commercial Bank in Birmingham. First Commercial Bank was acquired by Synovus Financial in 1992. Mr. Broughton continued as President and was named Chief Executive Officer of First Commercial Bank following its acquisition by Synovus Financial. Starting in 1992, Mr. Broughton served in a number of positions at Synovus Financial, including as regional Chief Executive Officer for Alabama, Tennessee and parts of Georgia, until his retirement from Synovus Financial in 2004. Prior to founding First Commercial Bank, Mr. Broughton was a supervisor of several commercial lending departments of large banks in Birmingham. In 2009, Mr. Broughton was named American Banker's 2009 Community Banker of the Year.

Clarence C. Pouncey, III: Executive Vice President and Chief Operating Officer. Mr. Pouncey has served as our Executive Vice President and Chief Operating Officer since 2007 and Executive Vice President and Chief Operating Officer of the bank since November 2006. Prior to joining the bank, Mr. Pouncey was employed by SouthTrust Bank (subsequently, Wachovia Bank and now Wells Fargo Bank) at its corporate headquarters in Birmingham, in various capacities from 1978 to 2006, most recently as the Senior Vice President and Regional Manager of Real Estate Financial Services. During his employment with SouthTrust, Mr. Pouncey oversaw various operational and production functions in its nine-state footprint of Alabama, Florida, Georgia, Mississippi, North Carolina, South Carolina, Tennessee, Texas and Virginia, and while employed by Wachovia, Mr. Pouncey oversaw various

operational and production functions in Alabama, Arizona, Tennessee and Texas.

William “Bud” M. Foshee: Executive Vice President and Chief Financial Officer. Mr. Foshee has served as our Executive Vice President, Chief Financial Officer, Treasurer and Secretary since 2007 and as Executive Vice President, Chief Financial Officer, Treasurer and Secretary of the bank since 2005. Mr. Foshee served as the Chief Financial Officer of Heritage Financial Holding Corporation, a publicly traded bank holding company headquartered in the Huntsville MSA, from 2002 until it was acquired in 2005. Mr. Foshee is a Certified Public Accountant.

Rodney E. Rushing: Executive Vice President and Executive for Correspondent Banking. Mr. Rushing has served as the Executive Vice President and Executive for Correspondent Banking for us and the bank since 2011. Prior to joining us, Mr. Rushing was employed at BBVA Compass from 1982 to 2011, most recently serving as Executive Vice President of Correspondent Banking. At the time of his departure in March 2011, the correspondent banking division of BBVA Compass provided correspondent banking services to over 600 financial institutions with total fundings in excess of \$2 billion.

Don Owens: Senior Vice President and Chief Credit Officer. Mr. Owens has served as the Senior Vice President and Chief Credit Officer for us and the bank since 2012. Prior to joining us, Mr. Owens served as a retail branch manager of First Alabama Bank from 1973 to 1978, worked for C&I Bank (now Bank of America) from 1978 to 1982, including as a branch manager and commercial lender, worked for Republic Bank (now Bank of America) from 1982 to 1988, including as a commercial lender and credit administrator, and served as a Senior Vice President and Senior Loan Administrator for BBVA Compass from 1988 to 2012.

In addition to our senior management team, our co-founder, Stanley “Skip” M. Brock, has served as our Chairman of the Board and a director since 2007 and has served as Chairman of the Board and a director of the bank since its inception in May 2005. He has served as President of Brock Investment Company, Ltd., a private venture capital firm, since its formation in 1995. Prior to 1995, Mr. Brock practiced corporate law for 20 years with one of the largest law firms based in Birmingham, Alabama. Mr. Brock also served as a director of Compass Bancshares, Inc., a publicly traded bank holding company, from 1992 to 1995. Mr. Brock’s experience as a director of a public company, a corporate lawyer and private investor provides him with a background that we believe is valuable to our success.

We also have hired key management employees for all of the bank’s offices, whom we believe have substantial banking experience and strong relationships in their respective markets. As part of our operating strategy, we believe that it is vital to our growth and prospects that we hire the highest-quality bankers in each of our markets. Our regional chief executive officers are empowered to implement our business strategy and make many key business decisions without the need for approval from our senior management team. Our regional chief executive officers and other officers and employees are also incentivized with stock ownership in the Company.

Our board is comprised of a number of business leaders in Alabama, including Messrs. Broughton and Brock. In addition to our and the bank’s boards of directors, which are identical in composition, the bank also has a non-voting advisory board of directors in each of the Huntsville, Montgomery, Dothan and Mobile, Alabama and Pensacola, Florida markets. These directors and advisory directors represent a wide array of business experience and community involvement in the market areas where they live. As residents of our primary service areas, they are sensitive and responsive to the needs of our customers and potential customers. In addition, our directors and advisory directors bring substantial business and banking contacts to us.

For additional information on our management team, see the section titled “*Management*” beginning on page 74.

Our Financial Performance

As a direct result of our simple community, commercial bank strategy, the quality and depth of our employee base, and the economic health and strength of our markets, we have consistently delivered some of the strongest performance metrics in community banking. We measure our success in three primary categories: growth attributes, balance sheet quality and return metrics. All three of these categories are interdependent and equally important in our view of building value for our stockholders. Within each focal category, we identify key drivers of performance and measure our results, which guide our views of success with respect to the implementation of our business plan.

While we hold ourselves to high standards of performance with respect to stockholder returns, we also measure our performance against all community banks with total assets between \$1 billion and \$50 billion, a subset of high performing commercial banks determined by returns on average assets and average equity and asset quality, and a peer group comprised of commercial banks with similar lending focuses. More specifically, our comparative financial performance analysis described in this prospectus measures our results in relation to:

The nationwide community commercial banking industry (defined as all publicly traded and privately held commercial bank holding companies with total assets between \$1 billion and \$50 billion)⁽¹⁾,

A group of 10 high performing publicly traded community commercial bank holding companies in the U.S.⁽²⁾ as measured by returns on average assets and average common equity, coupled with low ratios of non-performing assets to total assets, and

A group of 10 publicly traded community commercial bank holding companies in the U.S. with high levels of commercial and industrial loans as a percentage of their total loan portfolios.⁽³⁾

⁽¹⁾ Our selected nationwide community bank holding company group (Nationwide Community BHC) consists of the 437 commercial bank holding companies throughout the U.S. with total assets between \$1 billion and \$50 billion.

Our selected peer group of 10 high performing community commercial bank holding companies (High Performing Peer Group) consists of: Bank of the Ozarks, Inc. (OZRK), Wilshire Bancorp, Inc. (WIBC), City Holding Co.

⁽²⁾(CHCO), Westamerica Bancorp. (WABC), Eagle Bancorp, Inc. (EGBN), Lakeland Financial Corp. (LKFN), German American Bancorp. Inc. (GABC), Southside Bancshares, Inc. (SBSI), Bryn Mawr Bank Corp. (BMTC), S.Y. Bancorp, Inc. (SYBT).

Our selected group of 10 community commercial bank holding companies with high levels of commercial and industrial loans (High C&I Concentration Peer Group) consists of: City National Corp. (CYN), SVB Financial

⁽³⁾Group (SIVB), East West Bancorp, Inc. (EWBC), Cullen/Frost Bankers, Inc. (CFR), UMB Financial Corp. (UMBF), PrivateBancorp, Inc. (PVTB), Texas Capital Bancshares, Inc. (TCBI), Pinnacle Financial Partners (PNFP), First NBC Bank Holding Co. (NBCB), Lakeland Financial Corp. (LKFN).

Growth Attributes: Since our inception, our business strategy has resulted in growth rates that outpace most of our competitors and peers. As shown in Table 1, our growth results have exceeded most of the broad banking industry as well as the results produced by our two selected peer groups. Some of the key growth attributes we follow closely in measuring our success include:

Growth of deposits, especially growth of core deposits and, more specifically, growth of non-interest bearing deposits,

Growth of loans, especially growth of our focus areas of lending such as commercial and industrial credit,

Growth of net income, with an eye toward recurring earnings streams, rather than one-time or non-recurring income sources, and

Growth of earnings per share, understanding the connection between our earnings per share results, our net income results and our capital needs.

TABLE 1: Growth Attributes

	ServisFirst Bancshares, Inc.	Nationwide Community BHC Rank ⁽¹⁾	High Performing Nationwide Peer Group Median	High C&I Concentration Peer Group Median
<u>Five Year Compounded Annual Growth Rate⁽²⁾:</u>				
Total Deposits	23.8%	10	9.7%	12.3%
Non-interest Bearing Deposits	39.9%	18	17.7%	28.9%
Gross Loans	24.2%	5	7.1%	7.5%
Commercial & Industrial Loans	31.4%	8	2.5%	11.0%
Net Income Available to Common Stockholders	42.5%	27	13.1%	13.6%
Diluted Earnings Per Common Share	34.1%	—	9.4%	7.1%

Source: SNL Financial, Inc.

(1) Rankings based on highest to lowest growth rates.

(2) Five year period ended December 31, 2013.

Balance Sheet Quality: Also since our inception, we have focused on building a high quality balance sheet capable of delivering strong earnings streams, while protecting and growing our stockholders' equity. We have assembled a fulsome risk management function that allows us to monitor our balance sheet liquidity, loan quality and exposure to interest rates, while providing our regional chief executive officers and their lending teams latitude to grow customer relationships and deliver a competitive array of commercial banking services. As evidenced by our growth rates, we have succeeded in building both sides of our balance sheet, with loans and deposits garnering equal focus from our management team, resulting in a strong loan to deposit ratio.

Since 2007 and throughout the economic downturn, even while operating as a smaller bank with a more limited geographic reach and greater pressure on operating expense levels due to size, our focus on credit quality and risk management allowed us to maintain profitability in every quarter. Our emphasis on gathering core deposits to fund our balance sheet growth drives, in large part, our success in delivering earnings alongside the expansion of our assets and liabilities.

We closely measure and monitor our asset quality metrics and proactively manage our lending risk while providing appropriate loan loss reserves. Our historical loss experience in our lending businesses has been low and our ratios of allowance for loan losses as a percentage of our problem assets are in line with peers of similarly high quality lending institutions.

Our expertise in commercial and industrial, or C&I, lending also has driven strong returns throughout the downturn in the national and regional economies. While many community banks have increased lending efforts in commercial and industrial areas, our company has always held this focus and expertise in C&I lending based on our bankers' extensive experience. We believe this institutional knowledge and experience will continue to drive our ability to grow a high quality loan portfolio, and compete effectively against both larger and smaller banks.

As shown in Table 2, our balance sheet strength is highlighted by our mix of stable and low cost funding sources, the composition of our loan portfolio and our low levels of troubled assets. Some of the key balance sheet quality metrics we follow closely in measuring our success include:

Deposit composition, especially our success in building non-interest bearing deposits and our non-reliance on certificates of deposit as funding sources,

Loan portfolio composition, especially our mix of commercial and industrial loans as a percentage of our total loans, and

Asset quality metrics and coverage ratios, especially our non-performing asset levels as a percentage of our total assets and our allowance for loan losses as a percentage of our troubled loans.

TABLE 2: Balance Sheet Quality

ServisFirst Bancshares, Inc.	Nationwide BHC Rank	High Performing Group Median	High C&I Peer Group Median	Concentration Peer Group Median
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As of December 31, 2013:

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Non-interest Bearing Deposits / Total Deposits ⁽¹⁾	21.5%	206	20.5%	27.5%
Certificates of Deposit / Total Deposits ⁽²⁾	13.7%	73	21.7%	11.0%
Gross Loans / Total Deposits ⁽¹⁾	94.7%	61	90.6%	87.1%
Commercial & Industrial Loans / Gross Loans ⁽¹⁾	44.7%	22	13.3%	37.6%
Non-performing Assets / Total Assets ⁽³⁾	0.64%	121	0.83%	0.50%
Allowance for Loan Losses / Total Non-accrual Loans ⁽¹⁾	319%	94	170%	240%

Source: SNL Financial, Inc.

(1) Ranking for comparison to Nationwide Community BHC group based on highest to lowest percentages.

(2) Ranking for comparison to Nationwide Community BHC group is based on lowest to highest percentages.

(3) Ranking for comparison to Nationwide Community BHC group is based on lowest to highest percentages; non-performing assets are defined as non-accrual loans, plus loans 90-days past due, plus other real estate owned.

Return Metrics: Since the founding of our bank, our Board of Directors and senior management team have strived to produce the highest return levels in our industry, while maintaining risk controls and superior balance sheet metrics. Many institutions have sacrificed returns on their capital for more aggressive growth metrics, either organically or through acquisitions. Conversely, many institutions have foregone growth opportunities to focus on what they believe to be attractive return metrics. We view our company as somewhat rare in our industry, having married the two concepts through the execution of our simple business model carried out by teams of the best bankers in our attractive markets.

We have resisted the pressures to grow our loan portfolio at the expense of greater credit risk, or to support our asset growth with a less attractive funding mix. Our disciplined strategy is to compete aggressively for the top borrowers in our markets based on superior customer service and a full suite of commercial banking products, rather than to lend uneconomically from the standpoint of credit, loan structure or loan pricing. Our strategy has also fundamentally focused our bankers on gathering core deposit accounts and serving our deposit customers with tailored deposit products and state-of-the-art technology.

While we routinely review opportunities to increase our non-interest and fee income, we continue to believe our capital is more effectively utilized in focusing our efforts on our core community, commercial bank products and services.

We believe the efficiency of our business model has been, and will continue to be, one of our greatest strengths. With an average branch size of \$253 million in deposits (\$341 million for those that have been open at least three years) as of March 31, 2014, we are able to generate significant revenue relative to our employee base, while investing significantly in our support and operational systems, including our technology capabilities, our compliance and oversight capabilities and our lending and deposit services. As the community, commercial banking industry continues to evolve and embraces ongoing changes in technology and communications, we believe we are well positioned to continue to grow our high quality balance sheet and gather new customers while addressing the rapidly changing environment of regulatory and operational oversight. We believe our efficient model is scalable and will allow us to achieve strong financial performance metrics while increasing our stockholder value.

As shown in Table 3, the efficiency of our business model has resulted in attractive financial performance results. Some of the key return metrics we follow closely in measuring our success include:

- **Returns on average common equity and assets**, which, alongside growth of earnings, we believe represent global measures of success in community banking,
- **Efficiency measures**, including our expense ratios and our revenue per full-time employee, and
- **Net interest margin**, with a focus on our cost of deposits.

TABLE 3: Return Metrics

ServisFirst Bancshares, Inc.	Nationwide Community BHC Rank	High Performing Nationwide Peer Group Median	High C&I Concentration Peer Group Median

For the Year Ended December 31, 2013

:

Return on Average Common Equity ⁽¹⁾	18.30%	9	12.88%	9.96%
3-Year Average	18.24%	7	13.03%	9.83%
Return on Average Assets ⁽¹⁾	1.32%	38	1.33%	0.99%
3-Year Average	1.25%	48	1.20%	1.00%
Efficiency Ratio ⁽²⁾	38.8%	9	54.0%	55.4%
3-Year Average	41.9%	11	54.2%	58.4%
Non-interest Expense / Average Assets ⁽³⁾	1.51%	12	2.68%	2.45%
3-Year Average	1.65%	13	2.66%	2.51%
Revenue per FTE ⁽⁴⁾	\$519.4	11	\$217.7	\$307.9
Cost of Total Deposits ⁽⁵⁾	0.44%	284	0.30%	0.22%
Net Interest Margin ⁽⁶⁾	3.80%	146	3.80%	3.20%

Source: SNL Financial, Inc.

(1) Ranking for comparison to Nationwide Community BHC group is based on highest to lowest percentages.

(2) Defined as total non-interest expense divided by the sum of non-interest income and net interest income; ranking for comparison to Nationwide Community BHC group is based on lowest to highest percentages.

(3) Ranking for comparison to Nationwide Community BHC group is based on lowest to highest percentages.

Defined as the sum of interest income and non-interest income divided by the number of full time equivalent employees at period end; ranking for comparison to Nationwide Community BHC group is based on highest to lowest percentages; dollars in thousands.

(5) Defined as total interest expense on deposits divided by average deposits for the period; ranking for comparison to Nationwide Community BHC group is based on lowest to highest percentages.

(6) Defined as net interest income divided by average earning assets for the period; ranking for comparison to Nationwide Community BHC group is based on highest to lowest percentages.

We believe the development of our efficient delivery system and our business model over the last nine years significantly benefits our ability to continue to produce high return growth metrics in the future. We believe our scalable business model and lack of legacy challenges faced by many of our older competitors and peers, including less efficient branch systems highlighted by smaller average deposit sizes per branch, will provide us opportunities to focus our efforts on continuing to outperform the broad community banking markets, positioning us as one of the best performing companies in our industry.

Our Franchise Strengths and Competitive Position

Experienced Board and Senior Management Team. Our senior management team, led by Mr. Broughton, is comprised of seasoned professionals, with an average of 36 years of banking experience. Many of our management team members have extensive experience working together at other financial institutions and have successfully executed operating business models similar to ours in the past. We believe that our management and board's incentives are closely aligned with our stockholders through the ownership of a substantial amount of our stock. The combination of experienced leadership and stock ownership contribute to our culture of success, which we believe builds on itself and allows us to continue to attract and hire top-quality talent in each of our markets.

Significant Historical Growth Coupled with Strong Profitability. We have grown from total assets of approximately \$1.6 billion as of December 31, 2009, to total assets of approximately \$3.5 billion as of December 31, 2013. From our original location in Birmingham, we have grown to 13 locations in seven markets. At the same time, our focus on credit quality, customer service and operating efficiency has allowed us to increase our earnings per share from \$1.02 as of December 31, 2009, to \$5.69 as of December 31, 2013.

Simple, Customer-Focused Business Model. Our principal business is to accept deposits from the public and make loans and other investments. We emphasize competitive products, state of the art technology and a focus on quality service. Our management and employees focus on recognizing customers' needs and delivering products and services to meet those needs. While many large regional competitors and national banks have chosen to develop non-traditional business lines to supplement their net interest income, we believe our business model of focusing on traditional commercial banking products driven by a high margin delivery system is a superior method to drive returns to our stockholders.

Efficient Operations and High-Capacity, Scalable Operating Platform. We have a corporate culture of expense control. At the same time, we have made significant investments in our infrastructure and technology that, when combined with our operating efficiency, create a scalable platform for future growth. Our core systems have significant capacity to deliver comprehensive commercial products and services. We have made other significant investments in financial reporting and servicing systems. We believe we have created a technology platform that will allow us to compete effectively with our competitors.

Corporate Structure Designed With The Customer in Mind. We empower our local bankers to make local decisions, supported by centralized risk and credit technology and resources so that our bankers can focus on customer service. Our goal in each market is to employ the highest quality bankers to implement our operating strategy, grow our customer base and provide the highest level of customer service possible. We focus on an in-market geographic model of organizational structure as opposed to a line of business model employed by most regional banks. This structure gives significant responsibility and accountability to our regional chief executive officers, which we believe results in superior customer service.

Additional Information

Our principal executive office is located at 850 Shades Creek Parkway, Suite 200, Birmingham, Alabama 35209, and our telephone number is (205) 949-0302. Our website is www.servisfirstbank.com. The information contained on our website is not a part of, or incorporated by reference into, this prospectus.

THE OFFERING

Securities offered by us 625,000 shares of common stock.

Underwriter purchase option 93,750 shares of common stock.

Common shares outstanding after 8,174,812 shares of common stock, assuming the underwriters do not exercise their purchase completion of option.⁽¹⁾
the offering

Securities owned by directors and executive officers Our directors and executive officers own 1,141,296 shares of our common stock, including options to purchase shares of our common stock, or 13.95% of the fully-diluted amount of our common stock outstanding. We expect that our directors and executive officers will purchase approximately 26,000 shares of our common stock in the offering.

Use of proceeds Assuming an initial public offering price of \$92.00 per share, which is the midpoint of the offering price set forth on the cover page of this prospectus, we estimate that the net proceeds to us from the sale of our common stock in this offering will be \$53.1 million (or \$61.2 million if the underwriters exercise in full their purchase option), after deducting estimated underwriting discounts and offering expenses. We intend to use the net proceeds to us generated by this offering for general corporate purposes. Although we may, from time to time in the ordinary course of business, evaluate potential acquisition opportunities that we believe are complementary to our business and provide attractive risk-adjusted returns, we do not have any immediate plans, arrangements or understandings relating to any material acquisition. For additional information, see *“Use of Proceeds.”*

Dividends We are a legal entity separate and distinct from our bank. Our principal source of revenue consists of dividends from our bank. The payment of dividends by our bank is subject to various regulatory requirements. On September 19, 2013, we announced the approval of the initiation of quarterly cash dividends beginning in 2014. The first quarterly cash dividend of \$0.15 per share was paid on April 15, 2014 to stockholders of record as of April 8, 2014. Any future determination to pay dividends on our common stock will be made by our board of directors and will depend upon our results of operations, financial condition, capital requirements, regulatory and contractual restrictions, our business strategy and other factors that our board deems relevant. For additional information, see *“Dividend Policy.”*

Proposed Nasdaq Global Market symbol We have applied to list our common stock on the Nasdaq Global Market under the symbol “SFBS.”

Risk factors Investing in our common stock involves risks. See “*Risk Factors*,” beginning on page 19, for a discussion of certain factors that you should carefully consider before making an investment decision.

References in this section to the number of shares of our common stock outstanding after this offering are based on 7,549,812 shares of our common stock issued and outstanding as of April 14, 2014. Unless otherwise noted, these references exclude:

614,500 shares of common stock issuable upon the exercise of outstanding stock options at a weighted average exercise price of \$26.50 per share (of which options to purchase 243,744 shares have vested);

198,170 shares of common stock reserved for issuance in connection with stock awards that remain available for issuance under our 2005 Amended and Restated Stock Incentive Plan and our 2009 Amended and Restated Stock Incentive Plan; and

15,000 shares of common stock issuable upon the exercise of warrants issued to certain accredited investors at a price of \$25.00 per share in connection with issuance of our 8.25% subordinated note due June 1, 2016, which note has been paid off in full.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

You should read the selected historical consolidated financial and operating data set forth below in conjunction with the sections titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Capitalization,” as well as the consolidated financial statements and the related notes included elsewhere in this prospectus. Except for the data under “Selected Performance Ratios,” “Core Performance Data,” “Asset Quality Ratios,” “Selected Balance Sheet Ratios,” “Capital Adequacy Ratios” and “Growth Ratios,” the selected historical consolidated financial data, other than “Selected Balance Sheet Data,” as of December 31, 2013 and 2012 and for the years ended December 31, 2013, 2012 and 2011 is derived from our audited financial statements included elsewhere in this prospectus, the selected historical consolidated financial data, other than “Selected Balance Sheet Data,” as of and for the quarters ended March 31, 2014 and 2013 is derived from our unaudited financial statements incorporated by reference in this prospectus, and the historical consolidated financial data as of and for the years ended December 31, 2010 and 2009 and the “Selected Balance Sheet Data” as of December 31, 2011 is derived from our audited financial statements not included in this prospectus.

	As of and for the years ended December 31,					As of and for the quarters ended March 31,	
	2009	2010	2011	2012	2013	2013	2014
	(Dollars in thousands except for share and per share data)						
Selected Balance Sheet Data:							
Total assets	\$ 1,573,497	\$ 1,935,166	\$ 2,460,785	\$ 2,906,314	\$ 3,520,699	\$ 2,861,758	\$ 3,577,114
Loans, net	1,192,173	1,376,741	1,808,712	2,336,924	2,828,205	2,434,475	2,900,000
Total securities	256,098	282,193	309,018	259,844	298,494	262,103	309,000
Deposits	1,432,355	1,758,716	2,143,887	2,511,572	3,019,642	2,423,534	3,030,000
Other borrowings	24,922	24,937	84,219	136,982	194,320	173,846	215,000
Subordinated debentures	15,228	30,420	30,514	15,050	-	-	-
Stockholders’ equity	97,622	117,100	196,292	233,257	297,192	257,547	312,000
Selected Income Statement Data:							

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Net interest income	\$ 43,860	\$ 62,886	\$ 75,331	\$ 94,122	\$ 112,462	\$ 25,901	\$ 30,8						
Provision for loan losses	10,685	10,350	8,972	9,100	13,008	4,284	2,31						
Net interest income after provision for loan losses	33,175	52,536	66,359	85,022	99,454	21,617	28,5						
Non-interest income	4,413	5,169	6,926	9,643	10,010	2,797	2,17						
Non-interest expense	28,930	30,969	37,458	43,100	47,489	10,752	13,7						
Income before income taxes	8,658	26,736	35,827	51,565	61,975	13,662	16,9						
Net income available to common stockholders	5,878	17,378	23,238	34,045	41,201	9,151	11,6						
Per Common Share Data:													
Net income, basic	\$ 1.07	\$ 3.15	\$ 4.03	\$ 5.68	\$ 6.00	\$ 1.44	\$ 1.58						
Net income, diluted	1.02	2.84	3.53	4.99	5.69	1.31	1.52						
Tangible book value per share	17.71	21.19	26.35	30.84	35.00	31.54	36.1						
Weighted average shares outstanding:													
Basic	5,485,972	5,519,151	5,759,524	5,996,437	6,869,071	6,341,605	7,39						
Diluted	5,787,643	6,294,604	6,749,163	6,941,752	7,268,675	7,076,505	7,66						
Actual common shares outstanding	5,513,482	5,527,482	5,932,182	6,268,812	7,350,012	6,897,812	7,52						
Selected Performance Ratios:													
Return on average assets ⁽¹⁾	0.43	%	1.04	%	1.12	%	1.31	%	1.32	%	1.32	%	1.36
Return on average stockholders'	6.33	%	15.86	%	14.86	%	15.99	%	15.70	%	15.29	%	15.6

equity ⁽²⁾
Return on
average
common
stockholders'
equity

6.33	%	15.86	%	17.01	%	19.41	%	18.30	%	18.07	%	17.8
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Net interest margin ⁽³⁾	3.31	%	3.94	%	3.79	%	3.80	%	3.80	%	3.92	%	3.80	%
Non-interest income to average assets	0.32	%	0.31	%	0.33	%	0.37	%	0.32	%	0.40	%	0.25	%
Non-interest expense to average assets	2.10	%	1.85	%	1.79	%	1.64	%	1.51	%	1.53	%	1.59	%
Efficiency ratio ⁽⁴⁾	59.93	%	45.51	%	45.54	%	41.54	%	38.78	%	37.47	%	41.56	%

Core Performance Data ⁽⁵⁾:

Core net income available to common stockholders														\$ 12,113
Core earnings per share, basic														\$ 1.64
Core earnings per share, diluted														\$ 1.58
Core return on average assets														1.42 %
Core return on average stockholders' equity														16.23 %
Core return on average common stockholders' equity														18.52 %
Core non-interest expense to average assets														1.51 %
Core efficiency ratio														39.43 %

Asset Quality Ratios:

Non-performing loans to total loans	1.01	%	1.03	%	0.75	%	0.44	%	0.34	%	0.99	%	0.31	%
Non-performing assets to total assets ⁽⁶⁾	1.57	%	1.10	%	1.06	%	0.69	%	0.64	%	1.13	%	0.53	%
	1.24	%	1.30	%	1.20	%	1.11	%	1.07	%	1.12	%	1.08	%

Allowance for loan losses to total gross loans								
Allowance for loan losses to total non-performing loans	120.91 %	126.00 %	159.96 %	253.50 %	314.94 %	114.07 %	345.09 %	
Net charge-offs to average loans outstanding	0.60 %	0.55 %	0.32 %	0.24 %	0.33 %	0.49 %	0.17 %	

Selected Balance Sheet Ratios:

Gross loans to total deposits	84.27 %	79.31 %	85.39 %	94.09 %	94.68 %	101.59 %	96.92 %	
Non-interest bearing deposits to total deposits	14.75 %	14.24 %	19.54 %	21.71 %	21.54 %	20.95 %	21.87 %	
Certificates of deposit to total deposits	17.73 %	15.83 %	17.91 %	15.75 %	13.73 %	16.31 %	13.42 %	

Capital Adequacy Ratios:

Tangible common equity to tangible assets	6.20 %	6.05 %	6.35 %	6.65 %	7.31 %	7.61 %	7.62 %	
Tangible equity to tangible assets	6.20 %	6.05 %	7.98 %	8.03 %	8.44 %	9.00 %	8.74 %	
Tier 1 leverage ratio ⁽⁷⁾	6.97 %	7.77 %	9.17 %	8.43 %	8.48 %	8.80 %	8.81 %	
Tier 1 common capital ratio	7.69 %	8.06 %	7.76 %	7.63 %	8.64 %	8.35 %	8.89 %	
Tier 1 capital ratio ⁽⁸⁾	8.89 %	10.22 %	11.39 %	9.89 %	10.00 %	9.93 %	10.22 %	
Total risk-based capital ratio ⁽⁹⁾	10.48 %	11.82 %	12.79 %	11.78 %	11.73 %	11.82 %	11.94 %	

Growth Ratios:

Percentage change in assets	35.38 %	22.99 %	27.16 %	18.11 %	21.14 %	13.05 %	24.85 %	
Percentage change in net loans	24.49 %	15.48 %	31.38 %	29.20 %	21.02 %	28.47 %	19.37 %	
Percentage change in deposits	38.08 %	22.78 %	21.90 %	17.15 %	20.23 %	10.70 %	25.07 %	
Percentage change in common equity	12.49 %	19.95 %	33.50 %	23.64 %	33.08 %	31.53 %	25.08 %	
	(16.09) %	195.64 %	34.87 %	46.96 %	20.82 %	12.05 %	27.10 %	

Percentage change in net income								
Percentage change in diluted net income per share	(22.14)%	178.43 %	24.30 %	41.36 %	14.03 %	9.17 %	16.03 %	

- (1) Return on average assets is defined as net income divided by total average assets.
- (2) Return on average stockholders' equity is defined as net income divided by average stockholders' equity.
- (3) Net interest margin is the net yield on interest earning assets and is the difference between the interest yield earned on interest earning assets and interest rate paid on interest bearing liabilities, divided by average earning assets.
- (4) Efficiency ratio is the result of non-interest expense divided by the sum of net interest income and non-interest income.
- (5) Core metrics exclude a non-routine expense in the first quarter of 2014 related to the correction to the accounting policy for options granted to our regional advisory boards. For a reconciliation of these non- GAAP measures to the most comparable GAAP measure, see "*GAAP Reconciliation and Management Explanation of Non-GAAP Financial Measures*." None of the other periods included in our selected consolidated financial information are affected by this correction.
- (6) Non-performing assets are defined as non-accrual loans plus loans 90-days past due plus other real estate owned.
- (7) Total stockholders' equity excluding unrealized losses on securities available for sale, net of taxes, and intangible assets divided by average assets less intangible assets.
- (8) Total stockholders' equity excluding unrealized gains/(losses) on securities available for sale, net of taxes, and intangible assets divided by total risk-weighted assets.
- (9) Total stockholders' equity excluding unrealized gains/(losses) on securities available for sale, net of taxes, and intangible assets plus allowance for loan losses (limited to 1.25% of risk-weighted assets) divided by total risk-weighted assets.

GAAP Reconciliation and Management Explanation of Non-GAAP Financial Measures

Some of the financial data included in our selected consolidated financial information are not measures of financial performance recognized by generally accepted accounting principles in the United States, or GAAP. These non-GAAP financial measures are “tangible book value per share,” “tangible common equity to tangible assets” and “tangible equity to tangible assets.” Our management uses these non-GAAP financial measures in its analysis of our performance.

“Tangible book value per share” is defined as total stockholders’ equity, excluding preferred stock, less intangible assets divided by total common shares outstanding. This measure is important to investors interested in changes from period-to-period in book value per share exclusive of changes in intangible assets.

“Tangible common equity to tangible assets” – Tangible common equity is defined as total stockholders’ equity, excluding preferred stock, less intangible assets, and tangible assets are calculated as total assets less intangible assets.

“Tangible equity to tangible assets” is defined as the ratio of stockholders’ equity reduced by goodwill divided by total assets reduced by goodwill. This measure is important to many investors who are interested in relative changes from period to period in equity and total assets, each exclusive of changes in intangible assets.

We believe these non-GAAP financial measures provide useful information to management and investors that is supplementary to our financial condition, results of operations and cash flows computed in accordance with GAAP; however, we acknowledge that our non-GAAP financial measures have a number of limitations. As such, you should not view these disclosures as a substitute for results determined in accordance with GAAP, and they are not necessarily comparable to non-GAAP financial measures that other companies use. The following reconciliation table provides a more detailed analysis of these non-GAAP financial measures:

	December 31, 2009	2010	2011	2012	2013	March 31, 2013	2014
Total stockholders' equity-GAAP	\$ 97,622	\$ 117,100	\$ 196,292	\$ 233,257	\$ 297,192	\$ 257,547	\$ 312,900
Adjustments:	-	-	39,958	39,958	39,958	39,958	39,958

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Preferred equity													
Goodwill and other intangibles	-	-	-	-	-	-	-	-	-	-	-	-	-
Tangible common equity	97,622	117,100	156,334	193,299	257,234	217,589	272,000						
Shares outstanding	5,513,482	5,527,482	5,932,182	6,268,812	7,350,012	6,897,812	7,520,000						
Tangible book value per share	\$ 17.71	\$ 21.19	\$ 26.35	\$ 30.84	\$ 35.00	\$ 31.54	\$ 36.10						
Total assets - GAAP	\$ 1,573,497	\$ 1,935,166	\$ 2,460,785	\$ 2,906,314	\$ 3,520,699	\$ 2,861,758	\$ 3,570,000						
Adjustments: Goodwill and other intangibles	-	-	-	-	-	-	-						
Tangible assets	1,573,497	1,935,166	2,460,785	2,906,314	3,520,699	2,861,758	3,570,000						
Tangible common equity to tangible assets	6.20 %	6.05 %	6.35 %	6.65 %	7.31 %	7.61 %	7.62 %						
Total stockholders' equity-GAAP	\$ 97,622	\$ 117,100	\$ 196,292	\$ 233,257	\$ 297,192	\$ 257,547	\$ 312,000						
Adjustments: Goodwill and other intangibles	-	-	-	-	-	-	-						
Tangible equity	97,622	117,100	196,292	233,257	297,192	257,547	312,000						
Tangible equity to tangible assets	6.20 %	6.05 %	7.98 %	8.03 %	8.44 %	9.00 %	8.74 %						

As discussed in more detail in the section titled “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*,” we recorded a non-routine expense of \$703,000 for the first quarter of 2014 resulting from a correction of our accounting for vested stock options previously granted to members of our advisory boards in our Dothan, Huntsville and Mobile, Alabama markets. This change in accounting treatment is a non-cash item and does not impact our operating activities or cash from operations. The non-GAAP financial measures included in our selected consolidated financial information for the quarter ended March 31, 2014 are “core net income available to common stockholders,” “core earnings per share, basic,” “core earnings per share, diluted,” “core return on average assets,” “core return on average stockholders’ equity,” “core return on average common stockholders’ equity,” “core non-interest expense to average assets” and “core efficiency ratio.” Each of these eight core financial measures excludes the impact of

the \$703,000 non-routine expense attributable to the correction of our accounting for vested stock options. None of the other periods included in our selected consolidated financial information are affected by this correction.

“Core net income available to common stockholders” is defined as net income available to common stockholders, adjusted by the net effect of the non-routine expense.

“Core earnings per share, basic” is defined as net income available to common stockholders, adjusted by the net effect of the non-routine expense, divided by weighted average basic shares outstanding.

“Core earnings per share, diluted” is defined as net income available to common stockholders, adjusted by the net effect of the non-routine expense, divided by weighted average diluted shares outstanding.

“Core return on average assets” is defined as net income, adjusted by the net effect of the non-routine expense, divided by average total assets.

“Core return on average stockholders’ equity” is defined as net income, adjusted by the net effect of the non-routine expense, divided by average stockholders’ equity.

“Core return on average common stockholders’ equity” is defined as net income available to common stockholders, adjusted by the net effect of the non-routine expense, divided by average common stockholders’ equity.

“Core non-interest expense to average assets” is defined as non-interest expense, adjusted by the non-routine expense, divided by average total assets.

“Core efficiency ratio” is defined as non-interest expense, adjusted by the non-routine expense, divided by the sum of net interest income and non-interest income.

We believe these non-GAAP financial measures provide useful information to management and investors that is supplementary to our first quarter 2014 financial condition, results of operations and cash flows computed in accordance with GAAP; however, we acknowledge that these non-GAAP financial measures have a number of limitations. As such, you should not view these disclosures as a substitute for results determined in accordance with GAAP, and they are not necessarily comparable to non-GAAP financial measures that other companies use. The following reconciliation table provides a more detailed analysis of the non-GAAP financial measures for the quarter ended March 31, 2014:

	For the quarter ended March 31, 2014 (Dollars in Thousands)	
Non-interest expense to average assets - GAAP	1.59	%
Non-interest expense - GAAP	\$ 13,723	
Adjustments:		
Adjustment for non-routine expense	(703)
Core non-interest expense	\$ 13,020	
Average assets	\$ 3,500,257	
Core non-interest expense to average assets	1.51	%
Efficiency ratio - GAAP	41.56	%
Net interest income	\$ 30,849	
Non-interest income	2,175	
Total net interest income and non-interest income	\$ 33,024	
Core efficiency ratio	39.43	%
Provision for income taxes - GAAP	\$ 5,229	
Adjustments:		
Adjustment for non-routine expense	246	
Core provision for income taxes	\$ 5,475	
Return on average assets - GAAP	1.36	%
Net income - GAAP	\$ 11,758	
Adjustments:		
Adjustment for non-routine expense	457	
Core net income	\$ 12,215	
Average assets	\$ 3,500,257	
Core return on average assets	1.42	%
Return on average stockholders' equity - GAAP	15.63	%
Average stockholders' equity	\$ 305,146	
Core return on average stockholders' equity	16.23	%

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Return on average common stockholders' equity	17.83	%
Net income available to common stockholders - GAAP	\$ 11,656	
Adjustments:		
Adjustment for non-routine expense	457	
Core net income available to common stockholders	\$ 12,113	
Average common stockholders' equity	\$ 265,188	
Core return on average common stockholders' equity	18.52	%
Earnings per share, basic - GAAP	\$ 1.58	
Weighted average shares outstanding, basic	7,399,992	
Core earnings per share, basic	\$ 1.64	
Earnings per share, diluted - GAAP	\$ 1.52	
Weighted average shares outstanding, diluted	7,661,890	
Core earnings per share, diluted	\$ 1.58	

RISK FACTORS

Investing in our common stock involves a significant degree of risk. You should carefully consider the following risk factors, in addition to the other information contained in this prospectus, before deciding to invest in our common stock. Any of the following risks, as well as risks that we do not know or currently deem immaterial, could materially and adversely affect our business, prospects, financial condition, results of operations and cash flow. As a result, the trading price of our common stock could decline, and you could lose all or part of your investment. Further, to the extent that any of the information in this prospectus constitutes forward-looking statements, the risk factors below also are cautionary statements identifying important factors that could cause actual results to differ materially from those expressed in any forward-looking statements made by us or on our behalf. See “Cautionary Note Regarding Forward-Looking Statements” on page 37.

Risks Related To Our Business

As a business operating in the financial services industry, our business and operations may be adversely affected in numerous and complex ways by weak economic conditions.

Our businesses and operations, which primarily consist of lending money to customers in the form of loans, borrowing money from customers in the form of deposits and investing in securities, are sensitive to general business and economic conditions in the United States. If the U.S. economy weakens, our growth and profitability from our lending, deposit and investment operations could be constrained. Uncertainty about the federal fiscal policymaking process, the medium and long-term fiscal outlook of the federal government, and future tax rates is a concern for businesses, consumers and investors in the United States. In addition, economic conditions in foreign countries, including uncertainty over the stability of the euro and other currencies, could affect the stability of global financial markets, which could hinder U.S. economic growth. Weak economic conditions are characterized by deflation, fluctuations in debt and equity capital markets, a lack of liquidity and/or depressed prices in the secondary market for mortgage loans, increased delinquencies on mortgage, consumer and commercial loans, residential and commercial real estate price declines and lower home sales and commercial activity. The current economic environment is also characterized by interest rates at historically low levels, which impacts our ability to attract deposits and to generate attractive earnings through our investment portfolio. All of these factors can individually or in the aggregate be detrimental to our business, and the interplay between these factors can be complex and unpredictable. Our business is also significantly affected by monetary and related policies of the U.S. federal government and its agencies. Changes in any of these policies are influenced by macroeconomic conditions and other factors that are beyond our control. Adverse economic conditions and government policy responses to such conditions could have a material adverse effect on our business, financial condition, results of operations and prospects.

We are dependent on the services of our management team and board of directors, and the unexpected loss of key officers or directors may adversely affect our business and operations.

We are led by an experienced core management team with substantial experience in the markets that we serve, and our operating strategy focuses on providing products and services through long-term relationship managers. Accordingly, our success depends in large part on the performance of our key personnel, as well as on our ability to attract, motivate and retain highly qualified senior and middle management. Competition for employees is intense, and the process of locating key personnel with the combination of skills and attributes required to execute our business plan may be lengthy. If any of our or the bank's executive officers, other key personnel, or directors leaves us or the bank, our operations may be adversely affected. In particular, we believe that Thomas A. Broughton, III, Clarence C. Pouncey, III, and William M. Foshee are extremely important to our success and the success of our bank. Mr. Broughton has extensive executive-level banking experience and is the President and Chief Executive Officer of us and the bank. Mr. Pouncey has extensive operating banking experience and is an Executive Vice President and the Chief Operating Officer of us and the bank. Mr. Foshee has extensive financial and accounting banking experience and is an Executive Vice President and the Chief Financial Officer of us and the bank. If any of Mr. Broughton, Mr. Pouncey or Mr. Foshee leaves his position for any reason, our financial condition and results of operations may suffer. The bank is the beneficiary of a key man life insurance policy on the life of Mr. Broughton in the amount of \$5 million. Also, we have hired key officers to run our banking offices in each of the Huntsville, Montgomery, Mobile and Dothan, Alabama markets and the Pensacola, Florida market, who are extremely important to our success in such markets. If any of them leaves for any reason, our results of operations could suffer in such markets. With the exception of the key officers in charge of our Huntsville and Montgomery banking offices, we do not have employment agreements or non-competition agreements with any of our executive officers, including Messrs. Broughton, Pouncey and Foshee. In the absence of these types of agreements, our executive officers are free to resign their employment at any time and accept an offer of employment from another company, including a competitor. Additionally, our directors' and advisory board members' community involvement and diverse and extensive local business relationships are important to our success. Any material change in the composition of our board of directors or the respective advisory boards of the bank could have a material adverse effect on our business, financial condition, results of operations and prospects.

We may not be able to successfully expand into new markets.

We have opened new offices and operations in three primary markets (Pensacola, Florida, Mobile, Alabama and Nashville, Tennessee) in the past four years. We may not be able to successfully manage this growth with sufficient human resources, training and operational, financial and technological resources. Any such failure could limit our ability to be successful in these new markets and may have a material adverse effect on our business, financial condition, results of operations and prospects.

A prolonged downturn in the real estate market could result in losses and adversely affect our profitability.

As of December 31, 2013, approximately 48.3% of our loan portfolio was composed of commercial and consumer real estate loans. The real estate collateral in each case provides an alternate source of repayment in the event of default by the borrower and may deteriorate in value during the time the credit is extended. The recent recession has adversely affected real estate market values across the country and values may continue to decline. A further decline in real estate values could further impair the value of our collateral and our ability to sell the collateral upon any foreclosure, which would likely require us to increase our provision for loan losses. In the event of a default with respect to any of these loans, the amounts we receive upon sale of the collateral may be insufficient to recover the outstanding principal and interest on the loan. If we are required to re-value the collateral securing a loan to satisfy the debt during a period of reduced real estate values or to increase our allowance for loan losses, our profitability could be adversely affected, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Lack of seasoning of our loan portfolio could increase risk of credit defaults in the future.

As a result of our growth over the past several years, approximately 56% of the loans in our loan portfolio were originated during the past two years. In general, loans do not begin to show signs of credit deterioration or default until they have been outstanding for some period of time, a process referred to as “seasoning.” As a result, a portfolio of older loans will usually behave more predictably than a newer portfolio. Because a large portion of our portfolio is relatively new, the current level of delinquencies and defaults may not represent the level that may prevail as the portfolio becomes more seasoned. If delinquencies and defaults increase, we may be required to increase our provision for loan losses, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our high concentration of large loans to certain borrowers may increase our credit risk.

Our growth over the last several years has been partially attributable to our ability to originate and retain large loans. Many of these loans have been made to a small number of borrowers, resulting in a high concentration of large loans to certain borrowers. As of December 31, 2013, our 10 largest borrowing relationships ranged from approximately \$17.2 million to \$21.9 million (including unfunded commitments) and averaged approximately \$19.0 million in total commitments. Along with other risks inherent in these loans, such as the deterioration of the underlying businesses or property securing these loans, this high concentration of borrowers presents a risk to our lending operations. If any one of these borrowers becomes unable to repay its loan obligations as a result of economic or market conditions, or personal circumstances, such as divorce or death, our non-performing loans and our provision for loan losses could increase significantly, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our decisions regarding credit risk could be inaccurate and our allowance for loan losses may be inadequate, which could have a material adverse effect on our business, financial condition, results of operations and future prospects.

Our earnings are affected by our ability to make loans, and thus we could sustain significant loan losses and consequently significant net losses if we incorrectly assess either the creditworthiness of our borrowers resulting in loans to borrowers who fail to repay their loans in accordance with the loan terms or the value of the collateral securing the repayment of their loans, or we fail to detect or respond to a deterioration in our loan quality in a timely manner. Management makes various assumptions and judgments about the collectability of our loan portfolio, including the creditworthiness of our borrowers and the value of the real estate and other assets serving as collateral for the repayment of many of our loans. We maintain an allowance for loan losses that we consider adequate to absorb losses inherent in the loan portfolio based on our assessment of the information available. In determining the size of our allowance for loan losses, we rely on an analysis of our loan portfolio based on historical loss experience, volume and types of loans, trends in classification, volume and trends in delinquencies and non-accruals, national and local economic conditions and other pertinent information. We target small and medium-sized businesses as loan customers. Because of their size, these borrowers may be less able to withstand competitive or economic pressures than larger borrowers in periods of economic weakness. Also, as we expand into new markets, our determination of the size of the allowance could be understated due to our lack of familiarity with market-specific factors. Despite the effects of sustained economic weakness, we believe our allowance for loan losses is adequate. Our allowance for loan losses as of December 31, 2013 was \$30.7 million, or 1.07% of total gross loans.

If our assumptions are inaccurate, we may incur loan losses in excess of our current allowance for loan losses and be required to make material additions to our allowance for loan losses, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

However, even if our assumptions are accurate, federal and state regulators periodically review our allowance for loan losses and could require us to materially increase our allowance for loan losses or recognize further loan charge-offs based on judgments different than those of our management. Any material increase in our allowance for loan losses or loan charge-offs as required by these regulatory agencies could have a material adverse effect on our business, financial condition, results of operations and prospects.

If we fail to design, implement and maintain effective internal control over financial reporting or remediate any future material weakness in our internal control over financial reporting, we may be unable to accurately report our financial results or prevent fraud, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of the financial reporting and the preparation of financial statements for external purposes in accordance with generally

accepted accounting principles. Effective internal control over financial reporting is necessary for us to provide reliable reports and prevent fraud.

We believe that a control system, no matter how well designed and managed, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. We may not be able to identify all significant deficiencies and/or material weaknesses in our internal control in the future, and our failure to maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”) could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our corporate structure provides for decision-making authority by our regional chief executive officers and banking teams. Our business, financial condition, results of operations and prospects could be negatively affected if our employees do not follow our internal policies or are negligent in their decision-making.

We attract and retain our management talent by empowering them to make certain business decisions on a local level. Lending authorities are assigned to regional chief executive officers and their banking teams based on their experience. Additionally, all loans in excess of \$1.0 million are reviewed by our centralized credit administration department in Birmingham. Moreover, for decisions that fall outside of the assigned authorities, our regional chief executive officers are required to obtain approval from our senior management team. Our local bankers may not follow our internal procedures or otherwise act in our best interests with respect to their decision-making. A failure of our employees to follow our internal policies, or actions taken by our employees that are negligent could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our business strategy includes the continuation of our growth plans, and our business, financial condition, results of operations and prospects could be negatively affected if we fail to grow or fail to manage our growth effectively.

We intend to continue pursuing our growth strategy for our business through organic growth of our loan portfolio. Our prospects must be considered in light of the risks, expenses and difficulties that can be encountered by financial service companies in rapid growth stages, which include the risks associated with the following:

- maintaining loan quality;
- maintaining adequate management personnel and information systems to oversee such growth;
- maintaining adequate control and compliance functions; and
- securing capital and liquidity needed to support anticipated growth.

We may not be able to expand our presence in our existing markets or successfully enter new markets, and any expansion could adversely affect our results of operations. Our ability to grow successfully will depend on a variety of factors, including the continued availability of desirable business opportunities, the competitive responses from other financial institutions in our market areas and our ability to manage our growth. Failure to manage our growth effectively could adversely affect our ability to successfully implement our business strategy, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our continued pace of growth may require us to raise additional capital in the future to fund such growth, and the unavailability of additional capital on terms acceptable to us could adversely affect our growth and/or our financial condition and results of operations.

We are required by federal and state regulatory authorities to maintain adequate levels of capital to support our operations. To support our recent and ongoing growth, we have completed a series of capital transactions during the past three years, including:

the sale of 40,000 shares of our senior non-cumulative perpetual preferred stock, Series A, par value \$.001 per share (or "Series A Preferred Stock") to the United States Department of the Treasury ("Treasury") in connection with the Treasury's Small Business Lending Fund program, for gross proceeds of \$40,000,000 on June 21, 2011;

the sale of an aggregate of 340,000 shares of our common stock at \$30 per share, or \$10,200,000, in a private placement completed on June 30, 2011;

the sale of \$20,000,000 in 5.5% subordinated notes due November 9, 2022 to accredited investor purchasers in November 2012, the proceeds of which were used to pay off \$15,000,000 in our 8.5% subordinated debentures; and

the sale of an aggregate of 250,000 shares of our common stock at \$41.50 per share, or \$10,375,000, in a private placement completed on December 2, 2013.

After giving effect to these transactions and this offering, we believe that we will have sufficient capital to meet our capital needs for our immediate growth plans. However, we will continue to need capital to support our longer-term growth plans. If capital is not available on favorable terms when we need it, we will have to either issue common stock or other securities on less than desirable terms or reduce our rate of growth until market conditions become more favorable. Either of such events could have a material adverse effect on our business, financial condition, results of operations and prospects.

Competition from financial institutions and other financial service providers may adversely affect our profitability.

The banking business is highly competitive, and we experience competition in our markets from many other financial institutions. We compete with commercial banks, credit unions, savings and loan associations, mortgage banking firms, consumer finance companies, securities brokerage firms, insurance companies, money market funds, and other mutual funds, as well as other community banks and super-regional and national financial institutions that operate offices in our service areas.

We compete with these other financial institutions both in attracting deposits and in making loans. In addition, we must attract our customer base from other existing financial institutions and from new residents. We expect competition to increase in the future as a result of legislative, regulatory and technological changes and the continuing trend of consolidation in the financial services industry. Our profitability depends upon our continued ability to successfully compete with an array of financial institutions in our service areas.

Our ability to compete successfully will depend on a number of factors, including, among other things:

- our ability to build and maintain long-term customer relationships while ensuring high ethical standards and safe and sound banking practices;

- the scope, relevance and pricing of products and services that we offer;

- customer satisfaction with our products and services;

- industry and general economic trends; and

- our ability to keep pace with technological advances and to invest in new technology.

Increased competition could require us to increase the rates that we pay on deposits or lower the rates that we offer on loans, which could reduce our profitability. Our failure to compete effectively in our market could restrain our growth or cause us to lose market share, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Unpredictable economic conditions or a natural disaster in the state of Alabama, the panhandle of the state of Florida or the Nashville, Tennessee MSA may have a material adverse effect on our financial performance.

Substantially all of our borrowers and depositors are individuals and businesses located and doing business in our markets within the state of Alabama, the panhandle of the state of Florida and the Nashville, Tennessee MSA. Therefore, our success will depend on the general economic conditions in these areas, and more particularly in Birmingham, Huntsville, Dothan, Montgomery and Mobile, Alabama, Pensacola, Florida and Nashville, Tennessee, which we cannot predict with certainty. Unlike with many of our larger competitors, the majority of our borrowers are commercial firms, professionals and affluent consumers located and doing business in such local markets. As a result, our operations and profitability may be more adversely affected by a local economic downturn or natural disaster in Alabama, Florida or Tennessee, particularly in such markets, than those of larger, more geographically diverse competitors. For example, a downturn in the economy of any of our MSAs could make it more difficult for our borrowers in those markets to repay their loans and may lead to loan losses that we cannot offset through operations in other markets until we can expand our markets further. Our entry into the Pensacola, Florida and Mobile, Alabama markets increased our exposure to potential losses associated with hurricanes and similar natural disasters that are more common on the Gulf Coast than in our other markets. Accordingly, any regional or local economic downturn, or natural or man-made disaster, that affects Alabama, the panhandle of Florida or the Nashville, Tennessee MSA, or existing or prospective property or borrowers in Alabama, the panhandle of Florida or the Nashville, Tennessee MSA may affect us and our profitability more significantly and more adversely than our more geographically diversified competitors, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

We encounter technological change continually and have fewer resources than many of our competitors to invest in technological improvements.

The financial services industry is undergoing rapid technological changes, with frequent introductions of new technology-driven products and services. In addition to serving customers better, the effective use of technology increases efficiency and enables financial institutions to reduce costs. Our success will depend in part on our ability to address our customers' needs by using technology to provide products and services that will satisfy customer demands for convenience, as well as to create additional efficiencies in our operations. Many of our competitors have substantially greater resources to invest in technological improvements than we have. We may not be able to implement new technology-driven products and services effectively or be successful in marketing these products and services to our customers. As these technologies are improved in the future, we may, in order to remain competitive, be required to make significant capital expenditures, which may increase our overall expenses and have a material adverse effect on our net income.

We depend on our information technology and telecommunications systems and third-party servicers, and any systems failures or interruptions could adversely affect our operations and financial condition.

Our business depends on the successful and uninterrupted functioning of our information technology and telecommunications systems and third-party servicers. We outsource many of our major systems, such as data processing, loan servicing and deposit processing systems. For example, Jack Henry & Associates, Inc. provides our entire core banking system through a service bureau arrangement. The failure of these systems, or the termination of a third-party software license or service agreement on which any of these systems is based, could interrupt our operations. Because our information technology and telecommunications systems interface with and depend on third-party systems, we could experience service denials if demand for such services exceeds capacity or such third-party systems fail or experience interruptions. If significant, sustained or repeated, a system failure or service denial could compromise our ability to operate effectively, damage our reputation, result in a loss of customer business, and subject us to additional regulatory scrutiny and possible financial liability, any of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

We may bear costs associated with the proliferation of computer theft and cybercrime.

We necessarily collect, use and hold data concerning individuals and businesses with whom we have a banking relationship. Threats to data security, including unauthorized access and cyber attacks, rapidly emerge and change, exposing us to additional costs for protection or remediation and competing time constraints to secure our data in accordance with customer expectations and statutory and regulatory requirements. It is difficult and near impossible to defend against every risk being posed by changing technologies as well as criminals intent on committing cyber-crime. Increasing sophistication of cyber-criminals and terrorists make keeping up with new threats difficult and could result in a breach of our data security. Patching and other measures to protect existing systems and servers could

be inadequate, especially on systems that are being retired. Controls employed by our information technology department and third-party vendors could prove inadequate. We could also experience a breach by intentional or negligent conduct on the part of our employees or other internal sources. Our systems and those of our third-party vendors may become vulnerable to damage or disruption due to circumstances beyond our or their control, such as from catastrophic events, power anomalies or outages, natural disasters, network failures, and viruses and malware.

A breach of our security that results in unauthorized access to our data could expose us to a disruption or challenges relating to our daily operations as well as to data loss, litigation, damages, fines and penalties, significant increases in compliance costs, and reputational damage, any of which could individually or in the aggregate have a material adverse effect on our business, results of operations, financial condition and prospects.

Our recent results may not be indicative of our future results, and may not provide guidance to assess the risk of an investment in our common stock.

We may not be able to sustain our historical rate of growth and may not even be able to expand our business at all. In addition, our recent growth may distort some of our historical financial ratios and statistics. In the future, we may not have the benefit of several factors that were favorable until late 2008, such as a rising interest rate environment, a strong residential housing market or the ability to find suitable expansion opportunities. Various factors, such as economic conditions, regulatory and legislative considerations and competition, may also impede or prohibit our ability to expand our market presence. As a small commercial bank, we have different lending risks than larger banks. We provide services to our local communities; thus, our ability to diversify our economic risks is limited by our own local markets and economies. We lend primarily to small to medium-sized businesses, which may expose us to greater lending risks than those faced by banks lending to larger, better-capitalized businesses with longer operating histories. We manage our credit exposure through careful monitoring of loan applicants and loan concentrations in particular industries, and through our loan approval and review procedures. Our use of historical and objective information in determining and managing credit exposure may not be accurate in assessing our risk. Our failure to sustain our historical rate of growth or adequately manage the factors that have contributed to our growth could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our directors and executive officers own a significant portion of our common stock and can exert influence over our business and corporate affairs.

Our directors and executive officers, as a group, beneficially owned approximately 14.11% of our outstanding common stock as of April 14, 2014. As a result of their ownership, our directors and executive officers will have the ability, by voting their shares in concert, to influence the outcome of all matters submitted to our stockholders for approval, including the election of directors.

We engage in lending secured by real estate and may be forced to foreclose on the collateral and own the underlying real estate, subjecting us to the costs associated with the ownership of the real property.

Since we originate loans secured by real estate, we may have to foreclose on the collateral property to protect our investment and may thereafter own and operate such property, in which case we are exposed to the risks inherent in the ownership of real estate. As of December 31, 2013, we held \$12.7 million in other real estate owned. The amount that we, as a mortgagee, may realize after a default is dependent upon factors outside of our control, including, but not limited to:

general or local economic conditions;

· environmental cleanup liability;

· neighborhood assessments;

· interest rates;

· real estate tax rates;

· operating expenses of the mortgaged properties;

· supply of and demand for rental units or properties;

· ability to obtain and maintain adequate occupancy of the properties;

· zoning laws;

governmental and regulatory rules;

fiscal policies; and

natural disasters.

Our inability to manage the amount of costs or size of the risks associated with the ownership of real estate could have a material adverse effect on our business, financial condition, results of operations and prospects.

Regulatory requirements affecting our loans secured by commercial real estate could limit our ability to leverage our capital and adversely affect our growth and profitability.

The federal bank regulatory agencies have indicated their view that banks with high concentrations of loans secured by commercial real estate are subject to increased risk and should hold higher capital than regulatory minimums to maintain an appropriate cushion against loss that is commensurate with the perceived risk. Because a significant portion of our loan portfolio is dependent on commercial real estate, a change in the regulatory capital requirements applicable to us as a result of these policies could limit our ability to leverage our capital, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

The dividend rate on our Series A Preferred Stock fluctuates based on the changes in our “qualified small business lending” and other factors and may increase, which could adversely affect income to common stockholders.

We issued \$40.0 million in Series A Preferred Stock to the Treasury on June 21, 2011 in connection with the Treasury’s Small Business Lending Fund program. Dividends on each share of our Series A Preferred Stock are payable on the liquidation amount at an annual rate calculated based upon the “percentage change in qualified lending” of the bank between each dividend period and the “baseline” level of “qualified small business lending” of the bank. Such dividend rate may vary from 1% per annum to 7% per annum for the eleventh through the eighteenth dividend periods and that portion of the nineteenth dividend period ending on the four and one-half year anniversary of the date of issuance of the Series A Preferred Stock (or, the dividend periods from October 1, 2013 through and including December 20, 2015). The dividend rate increases to a fixed rate of 9% after 4.5 years from the issuance of our Series A Preferred Stock (or, on December 21, 2015), regardless of the previous rate, until all of the preferred shares are redeemed. If we are unable to maintain our “qualified small business lending” at certain levels, if we fail to comply with certain other terms of our Series A Preferred Stock, or if we are unable to redeem our Series A Preferred Stock within 4.5 years following issuance, the dividend rate on our Series A Preferred Stock could result in materially greater dividend payments, which in turn could have a material adverse effect on our business, financial condition, results of operations and prospects.

We are subject to interest rate risk, which could adversely affect our profitability.

Our profitability, like that of most financial institutions, depends to a large extent on our net interest income, which is the difference between our interest income on interest-earning assets, such as loans and investment securities, and our interest expense on interest bearing liabilities, such as deposits and borrowings. We have positioned our asset portfolio to benefit in a higher or lower interest rate environment, but this may not remain true in the future. Our interest sensitivity profile was somewhat asset sensitive as of December 31, 2013, meaning that our net interest income and economic value of equity would increase more from rising interest rates than from falling interest rates. Interest rates are highly sensitive to many factors that are beyond our control, including general economic conditions and policies of various governmental and regulatory agencies and, in particular, the Board of Governors of the Federal Reserve System (or, the “Federal Reserve”). Changes in monetary policy, including changes in interest rates, could influence not only the interest we receive on loans and securities and the interest we pay on deposits and borrowings, but such changes could also affect our ability to originate loans and obtain deposits, the fair value of our financial assets and liabilities, and the average duration of our assets. If the interest rates paid on deposits and other borrowings increase at a faster rate than the interest rates received on loans and other investments, our net interest income, and therefore earnings, could be adversely affected. Earnings could also be adversely affected if the interest rates received on loans and other investments fall more quickly than the interest rates paid on deposits and other borrowings. Any substantial, unexpected, prolonged change in market interest rates could have a material adverse effect on our business, financial condition, results of operations and prospects.

In addition, an increase in interest rates could also have a negative impact on our results of operations by reducing the ability of borrowers to repay their current loan obligations. These circumstances could not only result in increased loan defaults, foreclosures and charge-offs, but also necessitate further increases to the allowance for loan losses which could have a material adverse effect on our business, results of operations, financial condition and prospects.

Liquidity risk could impair our ability to fund operations and meet our obligations as they become due.

Liquidity is essential to our business. Liquidity risk is the potential that we will be unable to meet our obligations as they come due because of an inability to liquidate assets or obtain adequate funding. An inability to raise funds through deposits, borrowings, the sale of loans and other sources could have a substantial negative effect on our liquidity. In particular, approximately 74.0% of the bank's liabilities as of December 31, 2013 were checking accounts and other liquid deposits, which are payable on demand or upon several days' notice, while by comparison, 81.2% of the assets of the bank were loans, which cannot be called or sold in the same time frame. Our access to funding sources in amounts adequate to finance our activities or on terms that are acceptable to us could be impaired by factors that affect us specifically or the financial services industry or economy in general. Market conditions or other events could also negatively affect the level or cost of funding, affecting our ongoing ability to accommodate liability maturities and deposit withdrawals, meet contractual obligations and fund asset growth and new business transactions at a reasonable cost, in a timely manner and without adverse consequences. Any substantial, unexpected or prolonged change in the level or cost of liquidity could have a material adverse effect on our ability to meet deposit withdrawals and other customer needs, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

The fair value of our investment securities can fluctuate due to factors outside of our control.

As of December 31, 2013, the fair value of our investment securities portfolio was approximately \$297.5 million. Factors beyond our control can significantly influence the fair value of securities in our portfolio and can cause potential adverse changes to the fair value of these securities. These factors include, but are not limited to, rating agency actions in respect of the securities, defaults by the issuer or with respect to the underlying securities, and changes in market interest rates and continued instability in the capital markets. Any of these factors, among others, could cause other-than-temporary impairments and realized and/or unrealized losses in future periods and declines in other comprehensive income, which could materially and adversely affect our business, results of operations, financial condition and prospects. The process for determining whether impairment of a security is other-than-temporary usually requires complex, subjective judgments about the future financial performance and liquidity of the issuer and any collateral underlying the security in order to assess the probability of receiving all contractual principal and interest payments on the security. Our failure to assess any currency impairments or losses with respect to our securities could have a material adverse effect on our business, financial condition, results of operations and prospects.

Deterioration in the fiscal position of the U.S. federal government and downgrades in Treasury and federal agency securities could adversely affect us and our banking operations.

The long-term outlook for the fiscal position of the U.S. federal government is uncertain, as illustrated by the 2011 downgrade by certain rating agencies of the credit rating of the U.S. government and federal agencies. However, in addition to causing economic and financial market disruptions, any future downgrade, failure to raise the U.S. statutory debt limit, or deterioration in the fiscal outlook of the U.S. federal government, could, among other things, materially adversely affect the market value of the U.S. and other government and governmental agency securities that we hold, the availability of those securities as collateral for borrowing, and our ability to access capital markets on favorable terms. In particular, it could increase interest rates and disrupt payment systems, money markets, and long-term or short-term fixed income markets, adversely affecting the cost and availability of funding, which could negatively affect our profitability. Also, the adverse consequences of any downgrade could extend to those to whom we extend credit and could adversely affect their ability to repay their loans. Any of these developments could have a material adverse effect on our business, financial condition, results of operations and prospects.

We may be adversely affected by the soundness of other financial institutions.

Our ability to engage in routine funding transactions could be adversely affected by the actions and commercial soundness of other financial institutions. Financial services companies are interrelated as a result of trading, clearing, counterparty, and other relationships. We have exposure to different industries and counterparties, and through transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, and other institutional clients. As a result, defaults by, or even rumors or questions about, one or more financial services companies, or the financial services industry generally, have led to market-wide liquidity problems and could lead to losses or defaults by us or by other institutions. These losses or defaults could have a material adverse effect on our business, financial condition, results of operations and prospects.

We are subject to environmental liability risk associated with our lending activities.

In the course of our business, we may purchase real estate, or we may foreclose on and take title to real estate. As a result, we could be subject to environmental liabilities with respect to these properties. We may be held liable to a governmental entity or to third parties for property damage, personal injury, investigation and clean-up costs incurred by these parties in connection with environmental contamination or may be required to investigate or clean up hazardous or toxic substances or chemical releases at a property. The costs associated with investigation or remediation activities could be substantial. In addition, if we are the owner or former owner of a contaminated site, we may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from the property. Any significant environmental liabilities could have a material adverse effect on our business, financial condition, results of operations and prospects.

Risks Related to Our Industry

We are subject to extensive regulation that could limit or restrict our activities and impose financial requirements or limitations on the conduct of our business, which limitations or restrictions could have a material adverse effect on our profitability.

We operate in a highly regulated industry and are subject to examination, supervision and comprehensive regulation by various federal and state agencies including the Federal Reserve, the Federal Deposit Insurance Corporation (“FDIC”) and the Alabama State Banking Department (the “Alabama Banking Department”). Regulatory compliance is costly and restricts certain of our activities, including payment of dividends, mergers and acquisitions, investments, loans and interest rates charged, and interest rates paid on deposits. We are also subject to capitalization guidelines established by our regulators, which require us to maintain adequate capital to support our growth. Violations of various laws, even if unintentional, may result in significant fines or other penalties, including restrictions on

branching or bank acquisitions. Recently, banks generally have faced increased regulatory sanctions and scrutiny particularly with respect to the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (“USA Patriot Act”) and other statutes relating to anti-money laundering compliance and customer privacy. The recent recession had major adverse effects on the banking and financial industry, during which time many institutions saw a significant amount of their market capitalization erode as they charged off loans and wrote down the value of other assets. As described above, recent legislation has substantially changed, and increased, federal regulation of financial institutions, and there may be significant future legislation (and regulations under existing legislation) that could have a further material effect on banks and bank holding companies like us.

In July 2013, the U.S. federal banking authorities approved the implementation of the Basel III regulatory capital reforms and issued rules effecting certain changes required by the Dodd-Frank Act (the "Basel III Rules"). The Basel III Rules are applicable to all U.S. banks that are subject to minimum capital requirements as well as to bank and saving and loan holding companies, other than "small bank holding companies" (generally bank holding companies with consolidated assets of less than \$500 million). The Basel III Rules not only increase most of the required minimum regulatory capital ratios, they introduce a new common equity Tier 1 capital ratio and the concept of a capital conservation buffer. The Basel III Rules also expand the current definition of capital by establishing additional criteria that capital instruments must meet to be considered additional Tier 1 capital (that is, Tier 1 capital in addition to common equity) and Tier 2 capital. A number of instruments that now generally qualify as Tier 1 capital will not qualify or their qualifications will change when the Basel III Rules are fully implemented. However, the Basel III Rules permit banking organizations with less than \$15 billion in assets to retain, through a one-time election, the existing treatment for accumulated other comprehensive income, which currently does not affect regulatory capital. The Basel III Rules have maintained the general structure of the current prompt corrective action thresholds while incorporating the increased requirements, including the common equity Tier 1 capital ratio. In order to be a "well-capitalized" depository institution under the new regime, an institution must maintain a common equity Tier 1 capital ratio of 6.5% or more; a Tier 1 capital ratio of 8% or more; a total capital ratio of 10% or more; and a leverage ratio of 5% or more. Institutions must also maintain a capital conservation buffer consisting of common equity Tier 1 capital. Generally, financial institutions will become subject to the Basel III Rules on January 1, 2015 with a phase-in period through 2019 for many of the changes.

The laws and regulations applicable to the banking industry could change at any time, and we cannot predict the effects of these changes on our business and profitability. Because government regulation greatly affects the business and financial results of all commercial banks and bank holding companies, our cost of compliance could adversely affect our ability to operate profitably. We are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act, and the related rules and regulations promulgated by the SEC. These laws and regulations increase the scope, complexity and cost of corporate governance, reporting and disclosure practices over those of non-public or non-reporting companies. Despite our conducting business in a highly regulated environment, these laws and regulations have different requirements for compliance than we experienced prior to becoming a reporting company. Our expenses related to services rendered by our accountants, legal counsel and consultants have increased in order to ensure compliance with these laws and regulations that we became subject to as a reporting company and may increase further as we become a public company and grow in size. These provisions, as well as any other aspects of current or proposed regulatory or legislative changes to laws applicable to us may impact the profitability of our business activities and may change certain of our business practices, including our ability to offer new products, obtain financing, attract deposits, make loans and achieve satisfactory interest spreads and could expose us to additional costs, including increased compliance costs, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Federal and state regulators periodically examine our business and we may be required to remediate adverse examination findings.

The Federal Reserve, the FDIC and the Alabama Banking Department periodically examine our business, including our compliance with laws and regulations. If, as a result of an examination, a federal or state banking agency were to

determine that our financial condition, capital resources, asset quality, earnings prospects, management, liquidity or other aspects of any of our operations had become unsatisfactory, or that we were in violation of any law or regulation, it may take a number of different remedial actions as it deems appropriate. These actions include the power to enjoin “unsafe or unsound” practices, to require affirmative action to correct any conditions resulting from any violation or practice, to issue an administrative order that can be judicially enforced, to direct an increase in our capital, to restrict our growth, to assess civil monetary penalties against our officers or directors, to remove officers and directors and, if it is concluded that such conditions cannot be corrected or there is an imminent risk of loss to depositors, to terminate our deposit insurance and place us into receivership or conservatorship. Any regulatory action against us could have a material adverse effect on our business, results of operations, financial condition and prospects.

Our FDIC deposit insurance premiums and assessments may increase.

The deposits of the bank are insured by the FDIC up to legal limits and, accordingly, subject it to the payment of FDIC deposit insurance assessments. The bank's regular assessments are determined by its risk classification, which is based on its regulatory capital levels and the level of supervisory concern that it poses. High levels of bank failures since the beginning of the financial crisis and increases in the statutory deposit insurance limits have increased resolution costs to the FDIC and put significant pressure on the Deposit Insurance Fund. In order to maintain a strong funding position and restore the reserve ratios of the Deposit Insurance Fund, the FDIC increased deposit insurance assessment rates and charged a special assessment to all FDIC-insured financial institutions. Further increases in assessment rates or special assessments may occur in the future, especially if there are significant additional financial institution failures. Any future special assessments, increases in assessment rates or required prepayments in FDIC insurance premiums could reduce our profitability or limit our ability to pursue certain business opportunities, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

We are subject to numerous laws designed to protect consumers, including the Community Reinvestment Act and fair lending laws, and failure to comply with these laws could lead to a wide variety of sanctions.

The Community Reinvestment Act, the Equal Credit Opportunity Act, the Fair Housing Act and other fair lending laws and regulations impose nondiscriminatory lending requirements on financial institutions. The U.S. Department of Justice and other federal agencies are responsible for enforcing these laws and regulations. A successful regulatory challenge to an institution's performance under the Community Reinvestment Act or fair lending laws and regulations could result in a wide variety of sanctions, including damages and civil money penalties, injunctive relief, restrictions on mergers and acquisitions activity, restrictions on expansion, and restrictions on entering new business lines. Private parties may also have the ability to challenge an institution's performance under fair lending laws in private class action litigation. Such actions could have a material adverse effect on our business, financial condition, results of operations and prospects.

We face a risk of noncompliance and enforcement action with the Bank Secrecy Act and other anti-money laundering statutes and regulations.

The Bank Secrecy Act, the USA Patriot, and other laws and regulations require financial institutions, among other duties, to institute and maintain an effective anti-money laundering program and file suspicious activity and currency transaction reports as appropriate. The Federal Financial Crimes Enforcement Network is authorized to impose significant civil money penalties for violations of those requirements and has recently engaged in coordinated enforcement efforts with the individual federal banking regulators, as well as the U.S. Department of Justice, Drug Enforcement Administration, and Internal Revenue Service. We are also subject to increased scrutiny of compliance with the rules enforced by the Office of Foreign Assets Control ("OFAC"). If our policies, procedures and systems are deemed deficient, we would be subject to liability, including fines and regulatory actions, which may include

restrictions on our ability to pay dividends and the necessity to obtain regulatory approvals to proceed with certain aspects of our business plan, including our acquisition plans. Failure to maintain and implement adequate programs to combat money laundering and terrorist financing could also have serious reputational consequences for us. Any of these results could have a material adverse effect on our business, financial condition, results of operations and prospects.

Financial reform legislation will, among other things, tighten capital standards, create a new Consumer Financial Protection Bureau and result in new regulations that are likely to increase our costs of operations.

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) was signed into law. As final rules and regulations implementing the Dodd-Frank Act are adopted, this law is significantly changing the current bank regulatory structure and affecting the lending, deposit, investment, trading and operating activities of financial institutions and their holding companies. The Dodd-Frank Act requires various federal agencies to adopt a broad range of new implementing rules and regulations and to prepare numerous studies and reports for Congress. The federal agencies are given significant discretion in drafting the implementing rules and regulations, and consequently, many of the details and much of the impact of the Dodd-Frank Act may not be known for many years.

The Dodd-Frank Act eliminated the federal prohibitions on paying interest on demand deposits effective one year after the date of its enactment, thus allowing businesses to have interest bearing checking accounts. Depending on competitive responses, this significant change to existing law could have an adverse impact on our interest expense.

The Dodd-Frank Act also broadens the base for FDIC insurance assessments. Assessments are now based on the average consolidated total assets less tangible equity capital of a financial institution. The Dodd-Frank Act permanently increases the maximum amount of deposit insurance for banks, savings institutions and credit unions to \$250,000 per depositor. Non-interest bearing transaction accounts and certain attorney’s trust accounts had unlimited deposit insurance through December 31, 2012.

The Dodd-Frank Act requires publicly traded companies to give stockholders a non-binding vote on executive compensation and golden parachute payments. In addition, the Dodd-Frank Act authorizes the SEC to promulgate rules that would allow stockholders to nominate their own candidates using a company's proxy materials and directs the federal banking regulators to issue rules prohibiting incentive compensation that encourages inappropriate risks.

The Dodd-Frank Act created a new Consumer Financial Protection Bureau with broad powers to supervise and enforce consumer protection laws. The Bureau now has broad rule-making authority for a wide range of consumer protection laws that apply to all banks, including the authority to prohibit "unfair, deceptive or abusive" acts and practices. The Bureau has examination and enforcement authority over all banks with more than \$10 billion in assets. Institutions with less than \$10 billion in assets will continue to be examined for compliance with consumer laws by their primary bank regulator.

As noted above, many aspects of the Dodd-Frank Act are subject to rulemaking and will take effect over several years, making it difficult to anticipate the overall financial impact on us. However, compliance with this new law and its implementing regulations will result in additional operating and compliance costs that could have a material adverse effect on our business, financial condition, results of operations and prospects.

Additional regulatory requirements especially those imposed under ARRA, EESA or other legislation intended to strengthen the U.S. financial system, could adversely affect us.

Recent government efforts to strengthen the U.S. financial system, including the implementation of the American Recovery and Reinvestment Act ("ARRA"), the Emergency Economic Stabilization Act ("EESA"), the Dodd-Frank Act, and special assessments imposed by the FDIC, subject us, to the extent applicable, to additional regulatory fees, corporate governance requirements, restrictions on executive compensation, restrictions on declaring or paying dividends, restrictions on stock repurchases, limits on tax deductions for executive compensation and prohibitions against golden parachute payments. These fees, requirements and restrictions, as well as any others that may be imposed in the future, may have a material adverse effect on our business, financial condition, results of operations and prospects.

Recent market conditions have adversely affected, and may continue to adversely affect, us, our customers and our industry.

Because our business is focused exclusively in the southeastern United States, we are particularly exposed to downturns in the U.S. economy in general and in the southeastern economy in particular. Beginning with the economic recession in 2008 and continuing through 2010, falling home prices, increasing foreclosures, unemployment and under-employment, have negatively impacted the credit performance of mortgage loans and resulted in significant

write-downs of asset values by financial institutions, including government-sponsored entities as well as major commercial and investment banks. These write-downs, initially of mortgage-backed securities but spreading to credit default swaps and other derivative and cash securities, in turn, have caused many financial institutions to seek additional capital, to merge with larger and stronger institutions and, in some cases, to fail. Reflecting concern about the stability of the financial markets generally and the strength of counterparties, many lenders and institutional investors have reduced or ceased providing funding to borrowers, including to other financial institutions. This market turmoil and tightening of credit has led to an increased level of commercial and consumer delinquencies, lack of consumer confidence, increased market volatility and widespread reduction of business activity generally. The resulting economic pressure on consumers and businesses and lack of confidence in the financial markets may adversely affect our customers and thus our business, financial condition, and results of operations. A return of these conditions in the near future would likely exacerbate the adverse effects of these difficult market conditions on us and others in the financial institutions industry and have a material adverse effect on our business, financial condition, results of operations and prospects.

Current market volatility and industry developments may adversely affect our business and financial results.

The volatility in the capital and credit markets, along with the housing declines over the past years, has resulted in significant pressure on the financial services industry. We have experienced a higher level of foreclosures and higher losses upon foreclosure than we have historically. If current volatility and market conditions continue or worsen, we may have further increases in loan losses, deterioration of capital or limitations on our access to funding or capital, if needed, which could have a material adverse effect on our business, financial condition, results of operations and prospect.

Further, if other, particularly larger, financial institutions continue to fail to be adequately capitalized or funded, it may negatively impact our business and financial results. We routinely interact with numerous financial institutions in the ordinary course of business and are therefore exposed to operational and credit risk to those institutions. Failures of such institutions may significantly adversely impact our operations and have a material adverse effect on our business, financial condition, results of operations and prospects.

Our profitability is vulnerable to interest rate fluctuations.

As a financial institution, our earnings can be significantly affected by changes in interest rates, particularly our net interest income, the rate of loan prepayments, the volume and type of loans originated or produced, the sales of loans on the secondary market and the value of our mortgage servicing rights. Our profitability is dependent to a large extent on our net interest income, which is the difference between our income on interest-earning assets and our expense on interest bearing liabilities. We are affected by changes in general interest rate levels and by other economic factors beyond our control.

Changes in interest rates also affect the average life of loans and mortgage-backed securities. The relatively lower interest rates in recent periods have resulted in increased prepayments of loans and mortgage-backed securities as borrowers have refinanced their mortgages to reduce their borrowing costs. Under these circumstances, we are subject to reinvestment risk to the extent that we are not able to reinvest such prepayments at rates which are comparable to the rates on the prepaid loans or securities. Our inability to manage interest rate risk and fluctuations could have a material adverse effect on our business, financial condition, results of operations and prospects.

Changes in monetary policies may have a material adverse effect on our business.

Like all regulated financial institutions, we are affected by monetary policies implemented by the Federal Reserve and other federal instrumentalities. A primary instrument of monetary policy employed by the Federal Reserve is the restriction or expansion of the money supply through open market operations. This instrument of monetary policy frequently causes volatile fluctuations in interest rates, and it can have a direct, material adverse effect on the operating results of financial institutions including our business. Borrowings by the United States government to finance government debt may also cause fluctuations in interest rates and have similar effects on the operating results of such institutions. We do not have any control over monetary policies implemented by the Federal Reserve or otherwise and any changes in these policies could have a material adverse effect on our business, financial condition, results of operations and prospects.

Risks Related to Our Common Stock and the Offering

The market price of our common stock may be subject to substantial fluctuations, which may make it difficult for you to sell your shares at the volume, prices and times desired.

The market price of our common stock may be highly volatile, which may make it difficult for you to resell your shares at the volume, prices and times desired. There are many factors that may impact the market price and trading volume of our common stock, including, without limitation:

- actual or anticipated fluctuations in our operating results, financial condition or asset quality;
- changes in economic or business conditions;

the effects of, and changes in, trade, monetary and fiscal policies, including the interest rate policies of the Federal Reserve;

publication of research reports about us, our competitors, or the financial services industry generally, or changes in, or failure to meet, securities analysts' estimates of our financial and operating performance, or lack of research reports by industry analysts or ceasing of coverage;

operating and stock price performance of companies that investors deemed comparable to us;

future issuances of our common stock or other securities;

additions to or departures of key personnel;

proposed or adopted changes in laws, regulations or policies affecting us;

perceptions in the marketplace regarding our competitors and/or us;

significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving our competitors or us;

other economic, competitive, governmental, regulatory and technological factors affecting our operations, pricing, products and services; and

other news, announcements or disclosures (whether by us or others) related to us, our competitors, our core market or the financial services industry.

The stock market and, in particular, the market for financial institution stocks, have experienced substantial fluctuations in recent years, which in many cases have been unrelated to the operating performance and prospects of particular companies. In addition, significant fluctuations in the trading volume in our common stock may cause significant price variations to occur. Increased market volatility may materially and adversely affect the market price of our common stock, which could make it difficult to sell your shares at the volume, prices and times desired.

An active, liquid market for our common stock may not develop or be sustained following the offering, which may impair your ability to sell your shares.

Before this offering, there has been no established public market for our common stock. Although we have applied to list our common stock on the Nasdaq Global Market, our application may not be approved. Even if approved, an active, liquid trading market for our common stock may not develop or be sustained following the offering. A public trading market having the desired characteristics of depth, liquidity and orderliness depends upon the presence in the marketplace and independent decisions of willing buyers and sellers of our common stock, over which we have no control. Without an active, liquid trading market for our common stock, stockholders may not be able to sell their shares at the volume, prices and times desired. Moreover, the lack of an established market could materially and adversely affect the value of our common stock. The market price of our common stock could decline significantly due to actual or anticipated issuances or sales of our common stock in the future.

Actual or anticipated issuances or sales of additional amounts of our common stock following this offering could cause the market price of our common stock to decline significantly and make it more difficult for us to sell equity or equity-related securities in the future at a time and on terms that we deem appropriate. In addition, 27,000 shares that are owned by Mr. Broughton, our President and Chief Executive Officer, are pledged as collateral to secure a line of credit, 36,662 shares that are owned by Mr. Foshee, our Chief Financial Officer, are pledged to First National Bankers Bank, 145,000 shares that are owned by Mr. Fuller, one of our directors, are pledged to us as security for a loan, and 87,922 shares that are owned by Mr. Cashio, one of our directors, have been placed in a margin account, and may be sold by the pledgees under certain circumstances. The issuance of any shares of our common stock in the future also would, and equity-related securities could, dilute the percentage ownership interest held by stockholders prior to such issuance. All 625,000 of the shares of common stock sold in this offering (or 718,750 shares if the underwriters exercise in full their purchase option) will be freely tradable, except that any shares purchased by “affiliates” (as that term is defined in Rule 144 under the Securities Act of 1933 (the “Securities Act”)) may be sold publicly only in compliance with the limitations described under “*Shares Eligible For Future Sale.*” Other than certain of the shares we previously issued under our Amended and Restated 2009 Stock Incentive Plan or 2005 Amended and Restated Stock Incentive Plan (or, “stock incentive plans”), the remaining 7,549,812 outstanding shares of our common stock, or 92.35% of our outstanding shares, will be deemed to be “restricted securities” or “control securities” as those terms are defined in Rule 144, and may be sold in the market over time in private transactions or future public offerings. We have filed a registration statement on Form S-8 under the Securities Act to register an aggregate of 1,450,000 shares of common stock for issuance under our stock incentive plans, of which 614,500 shares are subject to outstanding options to purchase such shares and 198,170 are reserved for future issuance. We may issue all of these shares without any action or approval by our stockholders, and these shares, once issued (including upon exercise of outstanding options), will be available for sale into the public market, subject to the restrictions described above, if applicable, for affiliate holders.

Securities analysts may not initiate or continue coverage on our common stock, which could adversely affect the market for our common stock.

The trading market for our common stock will depend in part on the research and reports that securities analysts publish about us and our business. We do not have any control over these securities analysts, and they may not cover our common stock. If securities analysts do not cover our common stock, the lack of research coverage may adversely affect its market price. If we are covered by securities analysts, and our common stock is the subject of an unfavorable report, the price of our common stock may decline. If one or more of these analysts cease to cover us or fail to publish regular reports on us, we could lose visibility in the financial markets, which could cause the price or trading volume of our common stock to decline.

Investors in this offering will experience immediate and substantial dilution.

The initial public offering price is expected to be substantially higher than the net tangible book value per share of our common stock immediately following this offering. Therefore, if you purchase shares in this offering, you will experience immediate and substantial dilution in net tangible book value per share in relation to the price that you paid

for your shares. We expect the dilution as a result of the offering to be \$52.08 per share, based on an assumed initial public offering price of \$92.00 per share (the midpoint of the range set forth on the cover page of this prospectus), and our pro forma net tangible book value of \$39.92 per share as of March 31, 2014. Accordingly, if we were liquidated at our pro forma net tangible book value, you would not receive the full amount of your investment.

We have broad discretion in the use of the net proceeds from this offering, and our use of those proceeds may not yield a favorable return on your investment.

We expect to use the net proceeds of this offering for general corporate purposes, which may include, among other things, acquisitions, capital expenditures, investments, and the repayment, redemption or refinancing of all or a portion of any indebtedness or other securities outstanding at a particular time. Although we may, from time to time, in the ordinary course of our business, evaluate potential acquisition opportunities that we believe are complementary to our business and provide attractive risk-adjusted returns, we do not have any immediate plans, arrangements or understandings relating to any material acquisition. Our management has broad discretion over how these proceeds are used and could spend the proceeds in ways with which you may not agree. In addition, we may not use the proceeds of this offering effectively or in a manner that increases our market value or enhances our profitability. We have not established a timetable for the effective deployment of the proceeds, and we cannot predict how long it will take to deploy the proceeds. Investing the offering proceeds in securities until we are able to deploy the proceeds will provide lower margins that we generally earn on loans, potentially adversely affecting stockholder returns, including earnings per share, return on assets and return on equity.

The rights of our common stockholders are subordinate to the rights of the holders of our Series A Preferred Stock and any debt securities that we may issue and may be subordinate to the holders of any other class of preferred stock that we may issue in the future.

We have issued 40,000 shares of our Series A Preferred Stock to the Treasury in connection with our participation in the Small Business Lending Fund program. These shares have certain rights that are senior to our common stock. As a result, we must make payments on the preferred stock before any dividends can be paid on our common stock and, in the event of our bankruptcy, dissolution or liquidation, the holders of the Series A Preferred Stock must be satisfied in full before any distributions can be made to the holders of our common stock. Our board of directors has the authority to issue in the aggregate up to one million shares of preferred stock, and to determine the terms of each issue of preferred stock, without stockholder approval. Accordingly, you should assume that any shares of preferred stock that we may issue in the future will also be senior to our common stock. Because our decision to issue debt or equity securities or incur other borrowings in the future will depend on market conditions and other factors beyond our control, the amount, timing, nature or success of our future capital raising efforts is uncertain. Because our ability to pay dividends on our common stock in the future will depend on our and our bank's financial condition as well as factors outside of our control, our common stockholders bear the risk that no dividends will be paid on our common stock in future periods or that, if paid, such divide