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

FORM 10-Q

(Mark one)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2015

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _______to_______

Commission file number 001-36452

SERVISFIRST BANCSHARES, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	**26-0734029**
(State or Other Jurisdiction of Incorporation or Organization)	*(I.R.S. Employer Identification No.)*
850 Shades Creek Parkway, Birmingham, Alabama	**35209**
(Address of Principal Executive Offices)	*(Zip Code)*

(205) 949-0302
(Registrant's Telephone Number, Including Area Code)

Title of each class	Name of exchange on which registered
Common stock, par value $.001 per share	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act:
None
(Title of Class)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes ☒ No ☐

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

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ Smaller reporting company ☐

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

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

Class	Outstanding as of November 1, 2015
Common stock, $.001 par value	25,903,698

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PART 1. FINANCIAL INFORMATION
ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

SERVISFIRST BANCSHARES, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)

	September 30, 2015 (Unaudited)	December 31, 2014 (1)
ASSETS		
Cash and due from banks	$ 50,481	$ 48,519
Interest-bearing balances due from depository institutions	165,982	248,054
Federal funds sold	26,229	891
Cash and cash equivalents	242,692	297,464
Available for sale debt securities, at fair value	306,666	298,310
Held to maturity debt securities (fair value of $28,511 and $29,974 at September 30, 2015 and December 31, 2014, respectively)	27,969	29,355
Restricted equity securities	4,954	3,921
Mortgage loans held for sale	5,387	5,984
Loans	4,044,242	3,359,858
Less allowance for loan losses	(42,574)	(35,629)
Loans, net	4,001,668	3,324,229
Premises and equipment, net	18,989	7,815
Accrued interest and dividends receivable	12,566	11,214
Deferred tax assets	19,872	15,716
Other real estate owned and repossessed assets	6,068	6,840
Bank owned life insurance contracts	90,964	86,288
Goodwill and other identifiable intangible assets	17,756	-
Other assets	17,050	11,543
Total assets	$ 4,772,601	$ 4,098,679
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Noninterest-bearing	$ 1,029,354	$ 810,460
Interest-bearing	3,015,280	2,587,700
Total deposits	4,044,634	3,398,160
Federal funds purchased	228,415	264,315
Other borrowings	55,728	19,973
Accrued interest payable	2,947	1,940
Other liabilities	9,683	7,078
Total liabilities	4,341,407	3,691,466
Stockholders' equity:		
Preferred stock, Series A Senior Non-Cumulative Perpetual, par value $.001 (liquidation preference $1,000), net of discount; 40,000 shares authorized, no shares issued and outstanding at September 30, 2015 and 40,000 shares issued and outstanding at December 31, 2014	-	39,958
Preferred stock, par value $.001 per share; 1,000,000 authorized and 960,000 currently undesignated	-	-
Common stock, par value $.001 per share; 50,000,000 shares authorized; 25,903,698 shares issued and outstanding at September 30, 2015 and 24,801,518 shares issued and outstanding at December 31, 2014	26	25
Additional paid-in capital	210,331	185,397
Retained earnings	215,982	177,091
Accumulated other comprehensive income	4,478	4,490
Total stockholders' equity attributable to ServisFirst Bancshares, Inc.	430,817	406,961
Noncontrolling interest	377	252
Total stockholders' equity	431,194	407,213
Total liabilities and stockholders' equity	$ 4,772,601	4,098,679

(1) Derived from audited financial statements.

See Notes to Consolidated Financial Statements

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

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Interest income:				
Interest and fees on loans	$ 44,401	$ 34,662	$ 125,152	$ 100,164
Taxable securities	1,041	1,131	3,273	3,354
Nontaxable securities	890	877	2,624	2,618
Federal funds sold	32	38	81	118
Other interest and dividends	168	149	394	308
Total interest income	46,532	36,857	131,524	106,562
Interest expense:				
Deposits	3,818	3,123	10,600	9,164
Borrowed funds	852	415	1,814	1,252
Total interest expense	4,670	3,538	12,414	10,416
Net interest income	41,862	33,319	119,110	96,146
Provision for loan losses	3,072	2,748	9,539	7,500
Net interest income after provision for loan losses	38,790	30,571	109,571	88,646
Noninterest income:				
Service charges on deposit accounts	1,279	1,172	3,762	3,097
Mortgage banking	873	582	2,062	1,540
Securities gains	-	3	29	3
Increase in cash surrender value life insurance	683	549	1,991	1,631
Other operating income	987	700	2,560	1,848
Total noninterest income	3,822	3,006	10,404	8,119
Noninterest expenses:				
Salaries and employee benefits	10,595	7,890	30,029	24,685
Equipment and occupancy expense	1,575	1,437	4,870	4,212
Professional services	668	829	1,901	1,877
FDIC and other regulatory assessments	681	533	1,927	1,578
OREO expense	400	220	903	1,005
Merger expense	-	-	2,100	-
Other operating expenses	4,413	4,406	13,566	11,098
Total noninterest expenses	18,332	15,315	55,296	44,455
Income before income taxes	24,280	18,262	64,679	52,310
Provision for income taxes	8,014	4,260	20,889	14,965
Net income	16,266	14,002	43,790	37,345
Preferred stock dividends	33	100	256	316
Net income available to common stockholders	$ 16,233	$ 13,902	$ 43,534	$ 37,029
Basic earnings per common share	$ 0.63	$ 0.56	$ 1.70	$ 1.57
Diluted earnings per common share	$ 0.61	$ 0.54	$ 1.65	$ 1.51

See Notes to Consolidated Financial Statements

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

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Net income	$ 16,266	$ 14,002	$ 43,790	$ 37,345
Other comprehensive income (loss), net of tax:				
Unrealized holding gains (losses) arising during period from securities available for sale, net of tax of $393 and $3 for the three and nine months ended September 30, 2015, respectively, and $331 and $424 for the three and nine months ended September 30, 2014, respectively	729	(614)	7	801
Reclassification adjustment for net gains on sale of securities in net income, net of tax of $10 for the nine months ended September 30, 2015, and $1 for the three and nine months ended September 30, 2014,	-	(2)	(19)	(2)
Other comprehensive income (loss), net of tax	729	(616)	(12)	799
Comprehensive income	$ 16,995	$ 13,386	$ 43,778	$ 38,144

See Notes to Consolidated Financial Statements

SERVISFIRST BANCSHARES, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
NINE MONTHS ENDED SEPTEMBER 30, 2015 AND 2014
(In thousands, except share amounts)
(Unaudited)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Noncontrolling Interest	Total Stockholders' Equity
Balance, December 31, 2014	$ 39,958	$ 25	$ 185,397	$ 177,091	$ 4,490	$ 252	$ 407,213
Common dividends paid, $0.12 per share	-	-	-	(3,089)	-	-	(3,089)
Common dividends declared, $0.06 per share	-	-	-	(1,554)	-	-	(1,554)
Preferred dividends paid	-	-	-	(256)	-	-	(256)
Issue 636,592 shares of common stock as consideration for Metro Bancshares, Inc. acquisition	-	1	19,355	-	-	-	19,356
Capitalized costs to issue shelf registration	-	-	(73)	-	-	-	(73)
Issue 469,000 shares of common stock upon exercise of stock options	-	-	3,322	-	-	-	3,322
Excess tax benefit on exercise and vesting of stock options	-	-	1,515	-	-	-	1,515
Issue 125 shares of REIT preferred stock	-	-	-	-	-	125	125
Redeem 40,000 shares of Series A Senior Non-Cumulative Perpetual preferred stock	(39,958)	-	(42)	-	-	-	(40,000)
Stock-based compensation expense	-	-	857	-	-	-	857
Other comprehensive income, net of tax	-	-	-	-	(12)	-	(12)
Net income	-	-	-	43,790	-	-	43,790
Balance, September 30, 2015	$ -	$ 26	$ 210,331	$ 215,982	$ 4,478	$ 377	$ 431,194
Balance, December 31, 2013	$ 39,958	$ 7	$ 123,325	$ 130,011	$ 3,891	$ -	$ 297,192
Common dividends paid, $0.10 per share	-	-	-	(2,369)	-	-	(2,369)
Common dividends declared, $0.05 per share	-	-	-	(1,240)	-	-	(1,240)
Preferred dividends paid	-	-	-	(316)	-	-	(316)
3-for-1 common stock split, in the form of a stock dividend	-	17	-	(17)	-	-	-
Issue 1,875,000 shares of common stock, net of issuance cost of $4,777	-	1	52,097	-	-	-	52,098
Issue 250 shares of REIT preferred stock	-	-	-	-	-	250	250
Exercise 866,400 stock options and warrants, including tax benefit of $881	-	-	5,972	-	-	-	5,972
Stock-based compensation expense	-	-	3,403	-	-	-	3,403
Other comprehensive income, net of tax	-	-	-	-	799	-	799
Net income	-	-	-	37,345	-	2	37,347
Balance, September 30, 2014	$ 39,958	$ 25	$ 184,797	$ 163,414	$ 4,690	$ 252	$ 393,136

See Notes to Consolidated Financial Statements

SERVISFIRST BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2015 AND 2014
(In thousands) (Unaudited)

		2015		2014
OPERATING ACTIVITIES				
Net income	$	43,790	$	37,345
Adjustments to reconcile net income to net cash provided by:				
Deferred tax benefit		(3,370)		(5,032)
Provision for loan losses		9,539		7,500
Depreciation		1,632		1,497
Accretion on acquired loans		(1,696)		-
Amortization of core deposit intangible		281		-
Net amortization of debt securities available for sale		1,791		2,673
Increase in accrued interest and dividends receivable		(868)		(620)
Stock-based compensation expense		857		3,403
Increase in accrued interest payable		918		1,435
Proceeds from sale of mortgage loans held for sale		112,158		73,979
Originations of mortgage loans held for sale		(109,499)		(73,342)
Gain on sale of debt securities available for sale		(29)		(3)
Gain on sale of mortgage loans held for sale		(2,062)		(1,540)
Net loss on sale of other real estate owned		70		362
Write down of other real estate owned		407		423
Losses on tax credit partnerships		114		-
Increase in cash surrender value of life insurance contracts		(1,991)		(1,631)
Excess tax benefits from exercise of stock options and warrants		(1,515)		(881)
Net change in other assets, liabilities, and other operating activities		(431)		(3,466)
Net cash provided by operating activities		50,096		42,102
INVESTMENT ACTIVITIES				
Purchase of debt securities available for sale		(27,704)		(59,305)
Proceeds from sale of debt securities available for sale		16,738		173
Proceeds from maturities, calls and paydowns of debt securities available for sale		30,831		23,736
Purchase of debt securities held to maturity		(202)		-
Proceeds from maturities, calls and paydowns of debt securities held to maturity		1,588		2,226
Purchase of equity securities		(534)		-
Proceeds from sale of equity securities		-		320
Increase in loans		(538,137)		(305,015)
Purchase of premises and equipment		(4,355)		(1,104)
Purchase of bank-owned life insurance contracts		-		(15,000)
Expenditures to complete construction of other real estate owned		(118)		-
Proceeds from sale of other real estate owned and repossessed assets		4,611		5,526
Investment in tax credit partnerships		(3,942)		(1,531)
Net cash paid in acquisition of Metro Bancshares, Inc.		(12,383)		-
Net cash used in investing activities		(533,607)		(349,974)
FINANCING ACTIVITIES				
Net increase in noninterest-bearing deposits		171,616		144,097
Net increase in interest-bearing deposits		299,104		189,027
Net (decrease) increase in federal funds purchased		(38,075)		3,850
Repayment of Federal Home Loan Bank advances		(200)		-
Proceeds from sale of common stock, net		-		52,098
Proceeds from sale of preferred stock, net		125		250
Redemption of Series A Senior Non-Cumulative preferred stock		(40,000)		-
Proceeds from issuance of 5% subordinated notes due July 15, 2025		34,750		-
Costs to issue shelf registration		(73)		-
Proceeds from exercise of stock options and warrants		3,322		5,972
Excess tax benefits from exercise of stock options and warrants		1,515		881
Dividends paid on common stock		(3,089)		(2,369)
Dividends paid on preferred stock		(256)		(316)
Net cash provided by financing activities		428,739		393,490
Net (decrease) increase in cash and cash equivalents		(54,772)		85,618
Cash and cash equivalents at beginning of year		297,464		258,415
Cash and cash equivalents at end of year	$	242,692	$	344,033
SUPPLEMENTAL DISCLOSURE				
Cash paid for:				
Interest	$	11,407	$	8,981
Income taxes		20,015		21,543
NONCASH TRANSACTIONS				
Other real estate acquired in settlement of loans	$	1,850	$	1,065
Internally financed sales of other real estate owned		-		675
Dividends declared		1,554		1,240
Fair value of assets and liabilities from acquisition:				
Fair value of tangible assets acquired	$	201,927	$	-
Other intangible assets acquired		18,037		-
Fair value of liabilities assumed		(179,682)		-
Total merger consideration		40,282		-

See Notes to Consolidated Financial Statements

SERVISFIRST BANCSHARES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2015
(Unaudited)

NOTE 1 - GENERAL

The accompanying consolidated financial statements in this report have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission, including Regulation S-X and the instructions for Form 10-Q, and have not been audited. These consolidated financial statements do not include all of the information and footnotes required by U.S. generally accepted accounting principles ("U.S. GAAP") for complete financial statements. In the opinion of management, all adjustments necessary to present fairly the consolidated financial position and the consolidated results of operations for the interim periods have been made. All such adjustments are of a normal nature. The consolidated results of operations are not necessarily indicative of the consolidated results of operations which ServisFirst Bancshares, Inc. (the "Company") may achieve for future interim periods or the entire year. For further information, refer to the consolidated financial statements and footnotes included in the Company's Form 10-K for the year ended December 31, 2014. The Company's wholly-owned subsidiary, ServisFirst Bank, is referred to herein as the "Bank."

As a result of its acquisition of Metro Bancshares, Inc. ("Metro") on January 31, 2015, the Company adopted a new critical accounting policy related to goodwill and other identifiable intangible assets during the first quarter of 2015 as follows:

Goodwill and Other Identifiable Intangible Assets – Other identifiable intangible assets include a core deposit intangible recorded in connection with the acquisition of Metro. The core deposit intangible is being amortized over 7 years and the estimated useful life is periodically reviewed for reasonableness.

The Company tests its goodwill for impairment annually unless interim events or circumstances make it more likely than not that an impairment loss has occurred. Impairment is defined as the amount by which the implied fair value of the goodwill is less than the goodwill's carrying value. Impairment losses, if incurred, would be charged to operating expense. For the purposes of evaluating goodwill, the Company has determined that it operates only one reporting unit.

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

NOTE 2 - ACQUISITION

On January 31, 2015, the Company completed its acquisition of Metro and Metro Bank, its wholly-owned bank subsidiary, for an aggregate of $20.9 million in cash and 636,592 shares of Company common stock. The acquisition of Metro was the Company's entrance into the greater Atlanta, Georgia area with two added banking offices.

The following table provides a summary of the assets acquired and liabilities assumed as recorded by Metro, the fair value adjustments necessary to adjust those acquired assets and assumed liabilities to estimated fair value, and the resultant fair values of those assets and liabilities as recorded by the Company.

	January 31, 2015		
	As recorded by Metro	Preliminary Fair value adjustment (1)	As recorded by the Company
	(In Thousands)		
Assets acquired:			
Cash and cash equivalents	$ 8,543	$ -	$ 8,543
Debt securities	28,833	(41)a	28,792
Equity securities	499	-	499
Loans	152,869	(3,874)b	148,995
Allowance for loan losses	(1,621)	1,621b	-
Premises and equipment, net	7,606	831c	8,437
Accrued interest receivable	484	-	484
Deferred taxes	754	26d	780
Other real estate owned	2,373	(25)e	2,348
Bank owned life insurance contracts	2,685	-	2,685
Core deposit intangible	-	2,090f	2,090
Other assets	364	-	364
Total assets acquired	$ 203,389	$ 628	$ 204,017
Liabilities assumed:			
Deposits	$ 175,236	$ 518g	$ 175,754
Federal funds purchased	2,175	-	2,175
Other borrowings	1,400	(4)h	1,396
Accrued interest payable	89	-	89
Other liabilities	268	-	268
Total liabilities assumed	$ 179,168	$ 514	$ 179,682
Net assets acquired	$ 24,221	$ 114	$ 24,335
Consideration Paid:			
Cash			$ (20,926)
Stock			(19,356)
Total consideration paid			(40,282)
Goodwill			$ 15,947

(1) The Company's acquisition of Metro Bancshares, Inc. closed on January 31, 2015. Accordingly, each of the fair value adjustments shown are preliminary estimates of the purchase accounting adjustments. Management is continuing to evaluate each of these fair value adjustments and may revise one or more of them in future periods based on this continuing evaluation. During the second quarter of 2015, the fair value of other real estate owned was adjusted down by $280,000 to reflect the price received in an unsolicited offer to buy the property by a third party. During the second quarter of 2015, premises and equipment was written down by $41,000 to reflect the price received from a third party buyer of a piece of unimproved land held by the Company. To the extent that any of the preliminary fair value adjustments are revised in future periods, the resultant fair values and the amount of goodwill recorded by the Company will change.

Explanation of preliminary fair value adjustments:

a- Adjustment reflects the fair value adjustment based on the Company's pricing of the acquired debt securities portfolio.

b- Adjustment reflects the fair value adjustment based on the Company's evaluation of the acquired loan portfolio and to eliminate the recorded allowance for loan losses.

c- Adjustment reflects the fair value adjustment based on the Company's evaluation of the premises and equipment acquired.

d- Adjustment reflects the differences in the carrying values of acquired assets and assumed liabilities for financial statement purposes and their basis for federal income tax purposes.

e- Adjustment reflects the fair value adjustment based on the Company's evaluation of the other real estate owned acquired.

f- Adjustment reflects the fair value adjustment for the core deposit intangible asset recorded as a result of the acquisition.

g- Adjustment reflects the fair value adjustment based on the Company's evaluation of the acquired deposits.

h- Adjustment reflects the fair value adjustment based on the Company's evaluation of the assumed debt.

The estimated fair value of the purchased credit impaired loans acquired in the Metro transaction on January 31, 2015 was $5.1 million, which amount is immaterial to the Company's consolidated financial statements.

Pro forma financial information is not provided because such amounts are immaterial to the Company's consolidated financial statements.

NOTE 3 - CASH AND CASH EQUIVALENTS

Cash on hand, cash items in process of collection, amounts due from banks, and federal funds sold are included in cash and cash equivalents.

NOTE 4 - EARNINGS PER COMMON SHARE

Basic earnings per common share are computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings per common share include the dilutive effect of additional potential common shares issuable under stock options and warrants.

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
	(In Thousands, Except Shares and Per Share Data)			
Earnings per common share				
Weighted average common shares outstanding	25,883,562	24,761,632	25,636,690	23,539,218
Net income available to common stockholders	$ 16,233	$ 13,902	$ 43,534	$ 37,029
Basic earnings per common share	$ 0.63	$ 0.56	$ 1.70	$ 1.57
Weighted average common shares outstanding	25,883,562	24,761,632	25,636,690	23,539,218
Dilutive effects of assumed conversions and exercise of stock options and warrants	622,772	964,681	754,410	1,059,032
Weighted average common and dilutive potential common shares outstanding	26,506,334	25,726,313	26,391,100	24,598,250
Net income available to common stockholders	$ 16,233	$ 13,902	$ 43,534	$ 37,029
Effect of interest expense on convertible debt, net of tax and discretionary expenditures related to conversion	-	-	-	-
Net income available to common stockholders, adjusted for effect of debt conversion	$ 16,233	$ 13,902	$ 43,534	$ 37,029
Diluted earnings per common share	$ 0.61	$ 0.54	$ 1.65	$ 1.51

NOTE 5 - SECURITIES

The amortized cost and fair value of available-for-sale and held-to-maturity securities at September 30, 2015 and December 31, 2014 are summarized as follows:

	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Market Value
	(In Thousands)			
September 30, 2015				
Securities Available for Sale				
U.S. Treasury and government sponsored agencies	$ 50,508	$ 1,084	$ (71)	$ 51,521
Mortgage-backed securities	89,722	2,845	(46)	92,521
State and municipal securities	143,664	3,052	(92)	146,624
Corporate debt	15,884	116	-	16,000
Total	299,778	7,097	(209)	306,666
Securities Held to Maturity				
Mortgage-backed securities	22,211	382	(257)	22,336
State and municipal securities	5,758	423	(6)	6,175
Total	$ 27,969	$ 805	$ (263)	$ 28,511
December 31, 2014				
Securities Available for Sale				
U.S. Treasury and government sponsored agencies	$ 50,363	$ 775	$ -	$ 51,138
Mortgage-backed securities	92,439	3,095	(11)	95,523
State and municipal securities	132,780	3,211	(328)	135,663
Corporate debt	15,821	165	-	15,986
Total	291,403	7,246	(339)	298,310
Securities Held to Maturity				
Mortgage-backed securities	23,804	449	(320)	23,933
State and municipal securities	5,551	490	-	6,041
Total	$ 29,355	$ 939	$ (320)	$ 29,974

The amortized cost and fair value of debt securities as of September 30, 2015 by contractual maturity are shown below. Actual maturities may differ from contractual maturities of mortgage-backed securities since the mortgages underlying the securities may be called or prepaid with or without penalty. Therefore, these securities are not included in the maturity categories along with the other categories of debt securities.

	September 30, 2015		December 31, 2014	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In thousands)			
Debt securities available for sale				
Less than one year	$ 21,289	$ 21,450	$ 16,944	$ 17,246
One year to five years	145,941	148,960	121,591	123,962
Five years to ten years	42,009	42,891	60,079	61,221
More than ten years	817	844	350	358
Mortgage-backed securities	89,722	92,521	92,439	95,523
	$ 299,778	$ 306,666	$ 291,403	$ 298,310
Debt securities held to maturity				
Due from five to ten years	$ 627	$ 653	$ 298	$ 325
Due after ten years	5,131	5,522	5,253	5,716
Mortgage-backed securities	22,211	22,336	23,804	23,933
	$ 27,969	$ 28,511	$ 29,355	$ 29,974

The Company sold 18 of the 36 debt securities acquired in the Metro transaction in the period just following the acquisition closing date to align maturity structure. The fair value of these securities was assumed to be the amount for which they were sold, and therefore no gain or loss was recognized on these sales. The Company sold one mortgage-backed debt security from its legacy portfolio during the first quarter of 2015 and recognized a gain of $29,000.

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

The following table identifies, as of September 30, 2015 and December 31, 2014, the Company's investment securities that have been in a continuous unrealized loss position for less than 12 months and those that have been in a continuous unrealized loss position for 12 or more months. At September 30, 2015, 23 of the Company's 753 debt securities had been in an unrealized loss position for 12 or more months. The Company does not intend to sell these securities and it is more likely than not that the Company will not be required to sell the securities before recovery of their amortized cost, which may be maturity; accordingly, the Company does not consider these securities to be other-than-temporarily impaired at September 30, 2015. Further, the Company believes any deterioration in value of its current investment securities is attributable to changes in market interest rates and not credit quality of the issuer.

	Less Than Twelve Months		Twelve Months or More		Total	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
	(In Thousands)					
September 30, 2015						
U.S. Treasury and government sponsored agencies	$ (71)	$ 3,939	$ -	$ -	$ (71)	$ 3,939
Mortgage-backed securities	(44)	2,625	(259)	13,441	(303)	16,066
State and municipal securities	(53)	12,651	(45)	4,403	(98)	17,054
Corporate debt	-	-	-	-	-	-
Total	$ (168)	$ 19,215	$ (304)	$ 17,844	$ (472)	$ 37,059
December 31, 2014						
U.S. Treasury and government sponsored agencies	$ -	$ -	$ -	$ -	$ -	$ -
Mortgage-backed securities	-	-	(331)	17,751	(331)	17,751
State and municipal securities	(162)	19,945	(166)	10,820	(328)	30,765
Corporate debt	-	-	-	-	-	-
Total	$ (162)	$ 19,945	$ (497)	$ 28,571	$ (659)	$ 48,516

NOTE 6 – LOANS

The following table details the Company's loans at September 30, 2015 and December 31, 2014:

	September 30, 2015	December 31, 2014
	(Dollars In Thousands)	
Commercial, financial and agricultural	$ 1,671,014	$ 1,495,092
Real estate - construction	232,895	208,769
Real estate - mortgage:		
Owner-occupied commercial	978,721	793,917
1-4 family mortgage	417,011	333,455
Other mortgage	677,822	471,363
Subtotal: Real estate - mortgage	2,073,554	1,598,735
Consumer	66,779	57,262
Total Loans	4,044,242	3,359,858
Less: Allowance for loan losses	(42,574)	(35,629)
Net Loans	$ 4,001,668	$ 3,324,229

	September 30, 2015	December 31, 2014
Commercial, financial and agricultural	41.32%	44.50%
Real estate - construction	5.76%	6.21%
Real estate - mortgage:		
Owner-occupied commercial	24.20%	23.63%
1-4 family mortgage	10.31%	9.92%
Other mortgage	16.76%	14.03%
Subtotal: Real estate - mortgage	51.27%	47.58%
Consumer	1.65%	1.71%
Total Loans	100.00%	100.00%

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

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

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

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

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

Loans by credit quality indicator as of September 30, 2015 and December 31, 2014were as follows:

September 30, 2015	Pass	Special Mention	Substandard	Doubtful	Total
			(In Thousands)		
Commercial, financial and agricultural	$ 1,601,109	$ 55,877	$ 14,028	$ -	$ 1,671,014
Real estate - construction	222,200	6,051	4,644	-	232,895
Real estate - mortgage:					
Owner-occupied commercial	951,547	19,307	7,867	-	978,721
1-4 family mortgage	410,247	3,984	2,780	-	417,011
Other mortgage	659,394	13,086	5,342	-	677,822
Total real estate mortgage	2,021,188	36,377	15,989	-	2,073,554
Consumer	66,702	44	33	-	66,779
Total	$ 3,911,199	$ 98,349	$ 34,694	$ -	$ 4,044,242

December 31, 2014	Pass	Special Mention	Substandard	Doubtful	Total
			(In Thousands)		
Commercial, financial and agricultural	$ 1,459,356	$ 25,416	$ 10,320	$ -	$ 1,495,092
Real estate - construction	197,727	5,332	5,710	-	208,769
Real estate - mortgage:					
Owner-occupied commercial	784,492	6,848	2,577	-	793,917
1-4 family mortgage	326,316	4,253	2,886	-	333,455
Other mortgage	457,782	9,015	4,566	-	471,363
Total real estate mortgage	1,568,590	20,116	10,029	-	1,598,735
Consumer	56,559	37	666	-	57,262
Total	$ 3,282,232	$ 50,901	$ 26,725	$ -	$ 3,359,858

Loans by performance status as of September 30, 2015 and December 31, 2014 were as follows:

September 30, 2015	Performing	Nonperforming	Total
		(In Thousands)	
Commercial, financial and agricultural	$ 1,666,626	$ 4,388	$ 1,671,014
Real estate - construction	228,895	4,000	232,895
Real estate - mortgage:			
Owner-occupied commercial	978,600	121	978,721
1-4 family mortgage	416,184	827	417,011
Other mortgage	676,820	1,002	677,822
Total real estate mortgage	2,071,604	1,950	2,073,554
Consumer	66,743	36	66,779
Total	$ 4,033,868	$ 10,374	$ 4,044,242

December 31, 2014	Performing	Nonperforming	Total
		(In Thousands)	
Commercial, financial and agricultural	$ 1,493,995	$ 1,097	$ 1,495,092
Real estate - construction	203,720	5,049	208,769
Real estate - mortgage:			
Owner-occupied commercial	793,234	683	793,917
1-4 family mortgage	331,859	1,596	333,455
Other mortgage	470,404	959	471,363
Total real estate mortgage	1,595,497	3,238	1,598,735
Consumer	56,596	666	57,262
Total	$ 3,349,808	$ 10,050	$ 3,359,858

Loans by past due status as of September 30, 2015 and December 31, 2014were as follows:

September 30, 2015	Past Due Status (Accruing Loans)						
	30-59 Days	60-89 Days	90+ Days	Total Past Due	Non-Accrual	Current	Total Loans
				(In Thousands)			
Commercial, financial and agricultural	$ 13	$ -	$ 49	$ 62	$ 4,339	$ 1,666,613	$ 1,671,014
Real estate - construction	-	-	-	-	4,000	228,895	232,895
Real estate - mortgage:							
Owner-occupied commercial	34	-	-	34	121	978,566	978,721
1-4 family mortgage	50	154	472	676	355	415,980	417,011
Other mortgage	1,401	-	-	1,401	1,002	675,419	677,822
Total real estate - mortgage	1,485	154	472	2,111	1,478	2,069,965	2,073,554
Consumer	17	-	3	20	33	66,726	66,779
Total	$ 1,515	$ 154	$ 524	$ 2,193	$ 9,850	$ 4,032,199	$ 4,044,242

December 31, 2014	Past Due Status (Accruing Loans)						
	30-59 Days	60-89 Days	90+ Days	Total Past Due	Non-Accrual	Current	Total Loans
				(In Thousands)			
Commercial, financial and agricultural	$ 1,388	$ 3,490	$ 925	$ 5,803	$ 172	$ 1,489,117	$ 1,495,092
Real estate - construction	-	-	-	-	5,049	203,720	208,769
Real estate - mortgage:							
Owner-occupied commercial	-	-	-	-	683	793,234	793,917
1-4 family mortgage	14	-	-	14	1,596	331,845	333,455
Other mortgage	-	-	-	-	959	470,404	471,363
Total real estate - mortgage	14	-	-	14	3,238	1,595,483	1,598,735
Consumer	21	-	-	21	666	56,575	57,262
Total	$ 1,423	$ 3,490	$ 925	$ 5,838	$ 9,125	$ 3,344,895	$ 3,359,858

The allowance for loan losses is maintained at a level which, in management's judgment, is adequate to absorb credit losses inherent in the loan portfolio. The amount of the allowance is based on management's evaluation of the collectability of the loan portfolio, including the nature of the portfolio, credit concentrations, trends in historical loss experience, specific impaired loans, economic conditions and other risks inherent in the portfolio. Allowances for impaired loans are generally determined based on collateral values or the present value of the estimated cash flows. The allowance is increased by a provision for loan losses, which is charged to expense, and reduced by charge-offs, net of recoveries. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the allowance for losses on loans. Such agencies may require the Company to recognize adjustments to the allowance based on their judgments about information available to them at the time of their examination.

The methodology utilized for the calculation of the allowance for loan losses is divided into four distinct categories. Those categories include allowances for non-impaired loans (ASC 450), impaired loans (ASC 310), external qualitative factors, and internal qualitative factors. A description of each category of the allowance for loan loss methodology is listed below.

Non-Impaired Loans. Non-impaired loans are grouped into homogeneous loan pools by loan type and are the following: commercial and industrial, construction and development, commercial real estate, second lien home equity lines of credit, and all other loans. Each loan pool is stratified by internal risk rating and multiplied by a loss allocation percentage derived from the loan pool historical loss rate. The historical loss rate is based on an age weighted 5 year history of net charge-offs experienced by pool, with the most recent net charge-off experience given a greater weighting. This results in the expected loss rate per year, adjusted by a qualitative adjustment factor and a years-to-impairment factor, for each pool of loans to derive the total amount of allowance for non-impaired loans.

Impaired Loans. Loans are considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect all amounts due according to the original terms of the loan agreement. The collection of all amounts due according to contractual terms means that both the contractual interest and principal payments of a loan will be collected as scheduled in the loan agreement. Impaired loans are measured based on the present value of expected future cash flows discounted at the loan's effective interest rate, at the loan's observable market price or the fair value of the underlying collateral. The fair value of collateral, reduced by costs to sell on a discounted basis, is used if a loan is collateral-dependent. Fair value estimates for specifically impaired collateral-dependent loans are derived from appraised values based on the current market value or "as is" value of the property, normally from recently received and reviewed appraisals. Appraisals are obtained from certified and licensed appraisers and are based on certain assumptions, which may include construction or development status and the highest and best use of the property. These appraisals are reviewed by our credit administration department, and values are adjusted downward to reflect anticipated disposition costs. Once this estimated net realizable value has been determined, the value used in the impairment assessment is updated for each impaired loan. As subsequent events dictate and estimated net realizable values decline, required reserves may be established or further adjustments recorded.

External Qualitative Factors . The determination of the portion of the allowance for loan losses relating to external qualitative factors is based on consideration of the following factors: gross domestic product growth rate, changes in prime rate, delinquency trends, peer delinquency trends, year over year loan growth and state unemployment rate trends. Data for the three most recent periods is utilized in the calculation for each external qualitative component. The factors have a consistent weighted methodology to calculate the amount of allowance due to external qualitative factors.

Internal Qualitative Factors . The determination of the portion of the allowance for loan losses relating to internal qualitative factors is based on the consideration of criteria which includes the following: number of extensions and deferrals, single pay and interest only loans, current financial information, credit concentrations and risk grade accuracy. A self-assessment for each of the criteria is made with a consistent weighted methodology used to calculate the amount of allowance required for internal qualitative factors.

The following table presents an analysis of the allowance for loan losses by portfolio segment as of September 30, 2015 and December 31, 2014. The total allowance for loan losses is disaggregated into those amounts associated with loans individually evaluated and those associated with loans collectively evaluated.

	Commercial, financial and agricultural	Real estate - construction	Real estate - mortgage	Consumer	Total
	(In Thousands)				
	Three Months Ended September 30, 2015				
Allowance for loan losses:					
Balance at June 30, 2015	$ 19,052	$ 5,674	$ 14,171	$ 1,123	$ 40,020
Charge-offs	(388)	(31)	-	(126)	(545)
Recoveries	13	13	1	-	27
Provision	2,020	(237)	1,767	(478)	3,072
Balance at September 30, 2015	$ 20,697	$ 5,419	$ 15,939	$ 519	$ 42,574
	Three Months Ended September 30, 2014				
Allowance for loan losses:					
Balance at June 30, 2014	$ 13,637	$ 6,734	$ 11,523	$ 1,090	$ 32,984
Charge-offs	(531)	(610)	(149)	(131)	(1,421)
Recoveries	-	97	14	20	131
Provision	1,364	461	905	18	2,748
Balance at September 30, 2014	$ 14,470	$ 6,682	$ 12,293	$ 997	$ 34,442
	Nine Months Ended September 30, 2015				
Allowance for loan losses:					
Balance at December 31, 2014	$ 16,079	$ 6,395	$ 12,112	$ 1,043	$ 35,629
Charge-offs	(1,616)	(506)	(641)	(150)	(2,913)
Recoveries	38	177	104	-	319
Provision	6,196	(647)	4,364	(374)	9,539
Balance at September 30, 2015	$ 20,697	$ 5,419	$ 15,939	$ 519	$ 42,574
	Nine Months Ended September 30, 2014				
Allowance for loan losses:					
Balance at December 31, 2013	$ 13,576	$ 6,078	$ 10,065	$ 944	$ 30,663
Charge-offs	(1,895)	(958)	(1,043)	(207)	(4,103)
Recoveries	46	285	28	23	382
Provision	2,743	1,277	3,243	237	7,500
Balance at September 30, 2014	$ 14,470	$ 6,682	$ 12,293	$ 997	$ 34,442
	As of September 30, 2015				
Allowance for loan losses:					
Individually Evaluated for Impairment	$ 3,875	$ 1,089	$ 2,446	$ 33	$ 7,443
Collectively Evaluated for Impairment	16,822	4,330	13,493	486	35,131
Loans:					
Ending Balance	$ 1,671,014	$ 232,895	$ 2,073,554	$ 66,779	$ 4,044,242
Individually Evaluated for Impairment	14,049	4,697	18,632	51	37,429
Collectively Evaluated for Impairment	1,656,965	228,198	2,054,922	66,728	4,006,813
	As of December 31, 2014				
Allowance for loan losses:					
Individually Evaluated for Impairment	$ 1,344	$ 1,448	$ 1,636	$ 666	$ 5,094
Collectively Evaluated for Impairment	14,735	4,947	10,476	377	30,535
Loans:					
Ending Balance	$ 1,495,092	$ 208,769	$ 1,598,735	$ 57,262	$ 3,359,858
Individually Evaluated for Impairment	10,350	5,680	10,029	666	26,725
Collectively Evaluated for Impairment	1,484,742	203,089	1,588,706	56,596	3,333,133

The following table presents details of the Company’s impaired loans as of September 30, 2015 and December 31, 2014, respectively. Loans which have been fully charged off do not appear in the tables.

	September 30, 2015			For the three months ended September 30, 2015		For the nine months ended September 30, 2015	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized in Period	Average Recorded Investment	Interest Income Recognized in Period
				(In Thousands)			
With no allowance recorded:							
Commercial, financial and agricultural	$ 1,133	$ 1,142	$ -	$ 1,135	$ 5	$ 1,181	$ 13
Real estate - construction	806	809	-	910	9	1,094	26
Real estate - mortgage:							
Owner-occupied commercial	4,137	4,294	-	4,177	58	3,908	183
1-4 family mortgage	1,377	1,553	-	1,385	26	1,385	71
Other mortgage	3,155	3,321	-	3,168	38	3,191	139
Total real estate - mortgage	8,669	9,168	-	8,730	122	8,484	393
Consumer	18	23	-	19	-	19	1
Total with no allowance recorded	10,626	11,142	-	10,794	136	10,778	433
With an allowance recorded:							
Commercial, financial and agricultural	12,916	13,001	3,875	13,728	122	14,079	554
Real estate - construction	3,891	4,371	1,089	3,914	-	4,249	-
Real estate - mortgage:							
Owner-occupied commercial	6,373	6,373	1,336	8,645	140	11,167	475
1-4 family mortgage	1,402	1,403	415	1,406	15	1,397	46
Other mortgage	2,188	2,188	695	2,189	19	2,329	58
Total real estate - mortgage	9,963	9,964	2,446	12,240	174	14,893	579
Consumer	33	33	33	34	1	34	6
Total with allowance recorded	26,803	27,369	7,443	29,916	297	33,255	1,139
Total Impaired Loans:							
Commercial, financial and agricultural	14,049	14,143	3,875	14,863	127	15,260	567
Real estate - construction	4,697	5,180	1,089	4,824	9	5,343	26
Real estate - mortgage:							
Owner-occupied commercial	10,510	10,667	1,336	12,822	198	15,075	658
1-4 family mortgage	2,779	2,956	415	2,791	41	2,782	117
Other mortgage	5,343	5,509	695	5,357	57	5,520	197
Total real estate - mortgage	18,632	19,132	2,446	20,970	296	23,377	972
Consumer	51	56	33	53	1	53	7
Total impaired loans	$ 37,429	$ 38,511	$ 7,443	$ 40,710	$ 433	$ 44,033	$ 1,572

December 31, 2014

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized in Period
			(In Thousands)		
With no allowance recorded:					
Commercial, financial and agricultural	$ 7,059	$ 7,059	$ -	$ 7,104	$ 406
Real estate - construction	1,527	1,527	-	1,493	40
Real estate - mortgage:					
Owner-occupied commercial	1,576	1,576	-	236	12
1-4 family mortgage	542	592	-	592	19
Other mortgage	1,944	1,944	-	2,283	142
Total real estate - mortgage	4,062	4,112	-	3,111	173
Consumer	-	-	-	-	-
Total with no allowance recorded	12,648	12,698	-	11,708	619
With an allowance recorded:					
Commercial, financial and agricultural	3,291	3,291	1,344	3,262	156
Real estate - construction	4,153	4,633	1,448	4,382	19
Real estate - mortgage:					
Owner-occupied commercial	1,001	1,001	160	1,140	29
1-4 family mortgage	2,344	2,344	694	2,743	56
Other mortgage	2,622	2,622	782	2,767	84
Total real estate - mortgage	5,967	5,967	1,636	6,650	169
Consumer	666	666	666	681	-
Total with allowance recorded	14,077	14,557	5,094	14,975	344
Total Impaired Loans:					
Commercial, financial and agricultural	10,350	10,350	1,344	10,366	562
Real estate - construction	5,680	6,160	1,448	5,875	59
Real estate - mortgage:					
Owner-occupied commercial	2,577	2,577	160	1,376	41
1-4 family mortgage	2,886	2,936	694	3,335	75
Other mortgage	4,566	4,566	782	5,050	226
Total real estate - mortgage	10,029	10,079	1,636	9,761	342
Consumer	666	666	666	681	-
Total impaired loans	$ 26,725	$ 27,255	$ 5,094	$ 26,683	$ 963

Troubled Debt Restructurings ("TDR") at September 30, 2015, December 31, 2014 and September 30, 2014 totaled $8.3 million, $ 9.0 million and $7.9 million, respectively. At September 30, 2015, the Company had a related allowance for loan losses of $1.2 million allocated to these TDRs, compared to $1.0 million at December 31, 2014 and $1.9 million at September 30, 2014. There were no modifications made to new TDRs or renewals of existing TDRs for the three and nine months ended September 30, 2015. TDR activity by portfolio segment for the three and nine months ended September 30, 2014 is presented in the table below.

	Three Months Ended September 30, 2014			Nine Months Ended September 30, 2014		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
	(In Thousands)					
Troubled Debt Restructurings						
Commercial, financial and agricultural	1	$ 390	$ 390	2	$ 889	$ 889
Real estate - construction	-	-	-	-	-	-
Real estate - mortgage:						
Owner-occupied commercial	-	-	-	-	-	-
1-4 family mortgage	1	4,449	4,449	1	4,449	4,449
Other mortgage	1	275	275	2	1,684	1,684
Total real estate mortgage	2	4,724	4,724	3	6,133	6,133
Consumer	-	-	-	-	-	-
	3	$ 5,114	$ 5,114	5	$ 7,022	$ 7,022

The following table presents TDRs by portfolio segment which defaulted during the three and nine months ended September 30, 2015 and 2014, and which were modified in the previous twelve months (i.e., the twelve months prior to default). For purposes of this disclosure default is defined as 90 days past due and still accruing or placement on nonaccrual status.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(In thousands)			
Defaulted during the period, where modified in a TDR twelve months prior to default				
Commercial, financial and agricultural	$ -	$ -	$ -	$ -
Real estate - construction	-	-	-	-
Real estate - mortgage:				
Owner-occupied commercial	-	-	-	-
1-4 family mortgage	-	4,313	-	4,313
Other mortgage	-	-	-	-
Total real estate mortgage	-	4,313	-	4,313
Consumer	-	-	-	-
	$ -	$ 4,313	$ -	$ 4,313

NOTE 7 - EMPLOYEE AND DIRECTOR BENEFITS

Stock Options

At September 30, 2015, the Company had stock-based compensation plans, as described below. The compensation cost that has been charged to earnings for the plans was approximately $293,000 and $857,000 for the three and nine months ended September 30, 2015 and $302,000 and $3.4 million for the three and nine months ended September 30, 2014. The Company recorded a non-routine expense of $703,000 for the first quarter of 2014 resulting from the correction of its accounting for vested stock options previously granted to members of its advisory boards, and recorded a non-routine expense of $1.8 million for the second quarter of 2014 resulting from an acceleration of vesting of all stock options granted to members of its advisory boards. Such stock options were historically accounted for under the provisions of Accounting Standards Codification ("ASC") 718-10, *Compensation – Stock Compensation*, and now have been determined to be recorded as an expense at the fair value of such options in accordance with the provisions of ASC 505-50, *Equity-based Payments to Non-employees.*

The Company's 2005 Amended and Restated Stock Option Plan allows for the grant of stock options to purchase up to 3,075,000 shares of the Company's common stock. The Company's 2009 Amended and Restated Stock Incentive Plan authorizes the grant of up to 2,775,000 shares and allows for the issuance of Stock Appreciation Rights, Restricted Stock, Stock Options, Performance Shares or Performance Units. In April 2014, the Company's stockholders approved the amendment of the 2009 Plan to allow for an additional 1,500,000 shares, as adjusted. Both plans allow for the grant of incentive stock options and non-qualified stock options, and awards are generally granted with an exercise price equal to the estimated fair market value of the Company's common stock at the date of grant. The maximum term of the options granted under the plans is ten years.

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

	2015	2014
Expected volatility	24.00%	19.25%
Expected dividends	0.71%	1.45%
Expected term (in years)	6.25	7.75
Risk-free rate	1.85%	2.33%

The weighted average grant-date fair value of options granted during the nine months ended September 30, 2015 and September 30, 2014 was $8.40 and $2.95, respectively.

The following table summarizes stock option activity during the nine months ended September 30, 2015 and September 30, 2014:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (In Thousands)
Nine Months Ended September 30, 2015:				
Outstanding at January 1, 2015	1,622,917	$ 9.38	5.9	$ 38,256
Granted	162,000	33.26	9.5	-
Exercised	(459,000)	7.24	3.0	16,495
Forfeited	(7,500)	10.00	6.6	226
Outstanding at September 30, 2015	1,318,417	13.05	6.4	$ 35,697
Exercisable at September 30, 2015	256,918	$ 8.96	4.9	$ 8,008
Nine Months Ended September 30, 2014:				
Outstanding at January 1, 2014	2,328,900	$ 7.69	5.5	$ 14,300
Granted	114,000	13.83	9.4	1,707
Exercised	(821,400)	5.77	2.6	18,920
Forfeited	-	-	-	-
Outstanding at September 30, 2014	1,621,500	9.10	6.1	$ 31,942
Exercisable at September 30, 2014	609,000	$ 7.17	4.7	$ 13,174

As of September 30, 2015, there was approximately $2.1 million of total unrecognized compensation cost related to non-vested stock options. The cost is expected to be recognized on the straight-line method over the next 1.5 years.

Restricted Stock

The Company has issued 237,088 shares of restricted stock to certain employees. The value of restricted stock awards is determined to be the current value of the Company's stock, and this total value will be recognized as compensation expense over the vesting period. As of September 30, 2015, there was $770,000 of total unrecognized compensation cost related to non-vested restricted stock. The cost is expected to be recognized evenly over the remaining 1.1 years of the restricted stock's vesting period. During the second quarter of 2015, 7,500 shares of restricted stock were forfeited by one recipient upon his termination from the Company.

NOTE 8 - DERIVATIVES

The Company has entered into agreements with secondary market investors to deliver loans on a "best efforts delivery" basis. When a rate is committed to a borrower, it is based on the best price that day and locked with the investor for the customer for a 30-day period. In the event the loan is not delivered to the investor, the Company has no risk or exposure with the investor. The interest rate lock commitments related to loans that are originated for later sale are classified as derivatives. The fair values of the Company's agreements with investors and rate lock commitments to customers as of September 30, 2015 and December 31, 2014 were not material.

NOTE 9 – RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

In January 2014, the FASB issued ASU No. 2014-1, *Investments-Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Qualified Affordable Housing Projects*, which provides guidance on accounting for investments by a reporting entity in flow-through limited liability entities that manage or invest in affordable housing projects that qualify for the low-income housing tax credit. It permits reporting entities to make an accounting policy election to account for their investments in qualified affordable housing projects using the proportional amortization method if certain conditions are met. Under the proportional amortization method, an entity amortizes the initial investment in proportion to the tax credits and other tax benefits received, and then recognize the net investment performance in the income statement as a component of income tax expense (benefit). The amendments are effective for public entities for annual periods and interim reporting periods within those annual periods, beginning after December 15, 2014. The Company made an investment in a limited partnership during the first quarter of 2014 which has invested in a qualified affordable housing project. The Company has made an election to account for this investment as provided for in this update.

In January 2014, the FASB issued ASU No. 2014-04, *Receivables-Troubled Debt Restructurings by Creditors (Subtopic 310-40): Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure.* These amendments are intended to clarify when a creditor should be considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan such that the loan should be derecognized and the real estate recognized. The amendments clarify that an in substance repossession or foreclosure occurs, and a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon either: (1) the creditor obtaining legal title to the residential real estate property upon completion of residential foreclosure, or (2) the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. Additional disclosures about such activities are required by these amendments. The amendments in this ASU become effective for public companies for annual periods and interim periods within those annual periods beginning after December 15, 2014, and early adoption is permitted. The Company has adopted the provisions of these amendments, and as of September 30, 2015 they have had an immaterial impact on the Company's financial reporting.

In April 2015, the FASB issued ASU No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs.* Under the ASU, an entity presents debt issuance costs in the balance sheet as a direct deduction from the related debt liability rather that as an asset. Amortization of the costs is reported as interest expense. For public entities, the amendments in ASU 2015-03 are effective for fiscal years beginning after December 15, 2015, and interim periods with those fiscal years. Early adoption is permitted for financial statements that have not been previously issued. The Company early adopted the amendments in ASU 2015-03.

NOTE 10 - RECENT ACCOUNTING PRONOUNCEMENTS

In June 2014, the FASB issued ASU No. 2014-12, *Compensation—Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved After the Requisite Service Period*. The amendments clarify the proper method of accounting for share-based payments when the terms of an award provide that a performance target could be achieved after the requisite service period. This ASU requires that a performance target that affects vesting, and that could be achieved after the requisite service period, be treated as a performance condition. The performance target should not be reflected in estimating the grant-date fair value of the award. Compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. The amendments in this ASU are effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. Earlier adoption is permitted. The Company awarded its first performance-based stock compensation during the first quarter of 2015, and is accounting for such award under the provisions of this amendment.

In February 2015, the FASB issued ASU No. 2015-02, *Consolidation (Topic 810): Amendments to the Consolidation Analysis.* The amendments modify the evaluation reporting organizations must perform to determine if certain legal entities should be consolidated as VIEs. Specifically, the amendments: (1) modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities ("VIEs") or voting interest entities; (2) eliminate the presumption that a general partner should consolidate a limited partnership; (3) affect the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships; and (4) provide a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds. ASU No. 2015-02 is effective for interim and annual reporting periods beginning after December 15, 2015. The Company is currently evaluating the provisions of ASU No. 2015-02 to determine the potential impact the new standard will have on the Company's consolidated financial statements.

In August 2015, the FASB issue ASU 2015-15, *Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements: Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting,* to clarify the SEC staff's position on presenting and measuring debt issuance costs incurred in connection with line-of-credit arrangements given the lack of guidance on this topic in ASU 2015-03. The SEC staff has announced that it would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement. ASU 2015-15 is effective upon issuance for all entities. The Company is currently evaluating this guidance to determine the impact on the Company's consolidated financial statements.

In September 2015, the FASB issued ASU 2015-16, *Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments*. The amendments in ASU 2015-16 require that an acquirer recognize adjustments to estimated amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The amendments require that the acquirer record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the estimated amounts, calculated as if the accounting had been completed at the acquisition date. The amendments also require an entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the estimated amounts had been recognized as of the acquisition date. The amendments in this ASU are effective for public business entities for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. The amendments should be applied prospectively to adjustments to provisional amounts that occur after the effective date with earlier application permitted for financial statements that have not been issued. The Company is currently evaluating the provisions of this amendment to determine the potential impact the new standard will have on the Company's consolidated financial statements as it relates to future business combinations.

NOTE 11 - FAIR VALUE MEASUREMENT

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

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

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

Debt Securities. Where quoted prices are available in an active market, securities are classified within Level 1 of the hierarchy. Level 1 securities include highly liquid government securities such as U.S. Treasuries and exchange-traded equity securities. For securities traded in secondary markets for which quoted market prices are not available, the Company generally relies on pricing services provided by independent vendors. Such independent pricing services are to advise the Company on the carrying value of the securities available for sale portfolio. As part of the Company's procedures, the price provided from the service is evaluated for reasonableness given market changes. When a questionable price exists, the Company investigates further to determine if the price is valid. If needed, other market participants may be utilized to determine the correct fair value. The Company has also reviewed and confirmed its determinations in discussions with the pricing source regarding their methods of price discovery. Securities measured with these techniques are classified within Level 2 of the hierarchy and often involve using quoted market prices for similar securities, pricing models or discounted cash flow calculations using inputs observable in the market where available. Examples include U.S. government agency securities, mortgage-backed securities, obligations of states and political subdivisions and certain corporate, asset-backed and other securities. In cases where Level 1 or Level 2 inputs are not available, securities are classified in Level 3 of the hierarchy.

Impaired Loans. Impaired loans are measured and reported at fair value when full payment under the loan terms is not probable. Impaired loans are carried at the present value of expected future cash flows using the loan's existing rate in a discounted cash flow calculation, or the fair value of the collateral if the loan is collateral-dependent. Expected cash flows are based on internal inputs reflecting expected default rates on contractual cash flows. This method of estimating fair value does not incorporate the exit-price concept of fair value described in ASC 820-10 and would generally result in a higher value than the exit-price approach. For loans measured using the estimated fair value of collateral less costs to sell, fair value is generally determined based on appraisals performed by certified and licensed appraisers using inputs such as absorption rates, capitalization rates and market comparables, adjusted for estimated costs to sell. Management modifies the appraised values, if needed, to take into account recent developments in the market or other factors, such as changes in absorption rates or market conditions from the time of valuation, and anticipated sales values considering management's plans for disposition. Such modifications to the appraised values could result in lower valuations of such collateral. Estimated costs to sell are based on current amounts of disposal costs for similar assets. These measurements are classified as Level 3 within the valuation hierarchy. Impaired loans are subject to nonrecurring fair value adjustment upon initial recognition or subsequent impairment. A portion of the allowance for loan losses is allocated to impaired loans if the value of such loans is deemed to be less than the unpaid balance. Impaired loans are reviewed and evaluated on at least a quarterly basis for additional impairment and adjusted accordingly based on the same factors identified above. The amount recognized as an impairment charge related to impaired loans that are measured at fair value on a nonrecurring basis was $1,573,000 and $5,209,000 during the three and nine months ended September 30, 2015, respectively, and $724,000 and $4,280,000 during the three and nine months ended September 30, 2014, respectively.

Other Real Estate Owned. Other real estate assets ("OREO") acquired through, or in lieu of, foreclosure are held for sale and are initially recorded at the lower of cost or fair value, less selling costs. Any write-downs to fair value at the time of transfer to OREO are charged to the allowance for loan losses subsequent to foreclosure. Values are derived from appraisals of underlying collateral and discounted cash flow analysis. Appraisals are performed by certified and licensed appraisers. Subsequent to foreclosure, valuations are updated periodically and assets are marked to current fair value, not to exceed the new cost basis. In the determination of fair value subsequent to foreclosure, management also considers other factors or recent developments, such as changes in absorption rates and market conditions from the time of valuation, and anticipated sales values considering management's plans for disposition, which could result in adjustment to lower the property value estimates indicated in the appraisals. These measurements are classified as Level 3 within the valuation hierarchy. A loss on the sale and write-downs of OREO of $248,000 and $477,000 was recognized for the three and nine months ended September 30, 2015, respectively, and $225,000 and $757,000 for the three and nine months ended September 30, 2014, respectively. These charges were for write-downs in the value of OREO subsequent to foreclosure and losses on the disposal of OREO. OREO is classified within Level 3 of the hierarchy.

Residential real estate loan foreclosures classified as OREO totaled $514,000 as of September 30, 2015 and $684,000 as of December 31, 2014.

No residential real estate loans were in the process of being foreclosed as of September 30, 2015.

The following table presents the Company's financial assets and financial liabilities carried at fair value on a recurring basis as of September 30, 2015 and December 31, 2014:

	Fair Value Measurements at September 30, 2015 Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	(In Thousands)			
Assets Measured on a Recurring Basis:				
Available-for-sale securities:				
U.S. Treasury and government sponsored agencies	$ -	$ 51,521	$ -	$ 51,521
Mortgage-backed securities	-	92,521	-	92,521
State and municipal securities	-	146,624	-	146,624
Corporate debt	-	16,000	-	16,000
Total assets at fair value	$ -	$ 306,666	$ -	$ 306,666

	Fair Value Measurements at December 31, 2014 Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	(In Thousands)			
Assets Measured on a Recurring Basis:				
Available-for-sale securities				
U.S. Treasury and government sponsored agencies	$ -	$ 51,138	$ -	$ 51,138
Mortgage-backed securities	-	95,523	-	95,523
State and municipal securities	-	135,663	-	135,663
Corporate debt	-	15,986	-	15,986
Total assets at fair value	$ -	$ 298,310	$ -	$ 298,310

The following table presents the Company's financial assets and financial liabilities carried at fair value on a nonrecurring basis as of September 30, 2015 and December 31, 2014:

	Fair Value Measurements at September 30, 2015 Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	(In Thousands)			
Assets Measured on a Nonrecurring Basis:				
Impaired loans	$ -	$ -	$ 29,986	$ 29,986
Other real estate owned and repossessed assets	-	-	6,068	6,068
Total assets at fair value	$ -	$ -	$ 36,054	$ 36,054

	Fair Value Measurements at December 31, 2014 Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	(In Thousands)			
Assets Measured on a Nonrecurring Basis:				
Impaired loans	$ -	$ -	$ 21,631	$ 21,631
Other real estate owned and repossessed assets	-	-	6,840	6,840
Total assets at fair value	$ -	$ -	$ 28,471	$ 28,471

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

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

Cash and due from banks: The carrying amounts reported in the statements of financial condition approximate those assets' fair values.

Debt securities: Where quoted prices are available in an active market, securities are classified within Level 1 of the hierarchy. Level 1 securities include highly liquid government securities such as U.S. treasuries and exchange-traded equity securities. For securities traded in secondary markets for which quoted market prices are not available, the Company generally relies on prices obtained from independent vendors. Such independent pricing services are to advise the Company on the carrying value of the securities available for sale portfolio. As part of the Company's procedures, the price provided from the service is evaluated for reasonableness given market changes. When a questionable price exists, the Company investigates further to determine if the price is valid. If needed, other market participants may be utilized to determine the correct fair value. The Company has also reviewed and confirmed its determinations in discussions with the pricing service regarding their methods of price discovery. Securities measured with these techniques are classified within Level 2 of the hierarchy and often involve using quoted market prices for similar securities, pricing models or discounted cash flow calculations using inputs observable in the market where available. Examples include U.S. government agency securities, mortgage-backed securities, obligations of states and political subdivisions, and certain corporate, asset-backed and other securities. In cases where Level 1 or Level 2 inputs are not available, securities are classified in Level 3 of the fair value hierarchy.

Equity securities: Fair values for other investments are considered to be their cost as they are redeemed at par value.

Federal funds sold: The carrying amounts reported in the statements of financial condition approximate those assets' fair values.

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

Bank owned life insurance contracts: The carrying amounts in the statements of condition approximate these assets' fair value.

Loans, net: For variable-rate loans that re-price frequently and with no significant change in credit risk, fair value is based on carrying amounts. The fair value of other loans (for example, fixed-rate commercial real estate loans, mortgage loans and industrial loans) is estimated using discounted cash flow analysis, based on interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. Loan fair value estimates include judgments regarding future expected loss experience and risk characteristics. The method of estimating fair value does not incorporate the exit-price concept of fair value as prescribed by ASC 820 and generally produces a higher value than an exit-price approach. The measurement of the fair value of loans is classified within Level 3 of the fair value hierarchy.

Deposits: The fair values disclosed for demand deposits are, by definition, equal to the amount payable on demand at the reporting date (that is, their carrying amounts). The carrying amounts of variable-rate, fixed-term money market accounts and certificates of deposit approximate their fair values. Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation using interest rates currently offered for deposits with similar remaining maturities. The fair value of the Company's time deposits do not take into consideration the value of the Company's long-term relationships with depositors, which may have significant value. Measurements of the fair value of certificates of deposit are classified within Level 2 of the fair value hierarchy.

Federal funds purchased: The carrying amounts in the statements of condition approximate these assets' fair value.

Other borrowings: The fair values of other borrowings are estimated using a discounted cash flow analysis, based on interest rates currently being offered on the best alternative debt available at the measurement date. These measurements are classified as Level 2 in the fair value hierarchy.

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

The carrying amount, estimated fair value, and placement in the fair value hierarchy of the Company's financial instruments as of September 30, 2015 and December 31, 2014 are presented in the following table. This table includes those financial assets and liabilities that are not measured and reported at fair value on a recurring basis or nonrecurring basis.

	September 30, 2015		December 31, 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In Thousands)			
Financial Assets:				
Level 1 inputs:				
Cash and due from banks	$ 216,463	$ 216,463	$ 296,573	$ 296,573
Level 2 inputs:				
Available for sale debt securities	306,666	306,666	298,310	298,310
Held to maturity debt securities	27,969	28,511	29,355	29,974
Restricted equity securities	4,954	4,954	3,921	3,921
Federal funds sold	26,229	26,229	891	891
Mortgage loans held for sale	5,387	5,449	5,984	5,984
Bank owned life insurance contracts	90,964	90,964	86,288	86,288
Level 3 inputs:				
Loans, net	4,001,668	4,015,104	3,324,229	3,327,371
Financial liabilities:				
Level 2 inputs:				
Deposits	$ 4,044,634	$ 4,046,448	$ 3,398,160	$ 3,399,261
Federal funds purchased	228,415	228,415	264,315	264,315
Other borrowings	55,728	64,230	19,973	19,973

NOTE 12 – SUBSEQUENT EVENTS

The Company has evaluated all subsequent events through the date of this filing to ensure that this Form 10-Q includes appropriate disclosure of events both recognized in the financial statements as of September 30, 2015, and events which occurred subsequent to September 30, 2015 but were not recognized in the financial statements.

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

The following discussion and analysis is designed to provide a better understanding of various factors relating to the results of operations and financial condition of ServisFirst Bancshares, Inc. (the "Company") and its wholly-owned subsidiary, ServisFirst Bank (the "Bank"). This discussion is intended to supplement and highlight information contained in the accompanying unaudited consolidated financial statements as of September 30, 2015 and for the three and nine months ended September 30, 2015 and September 30, 2014.

Forward-Looking Statements

Statements in this document that are not historical facts, including, but not limited to, statements concerning future operations, results or performance, are hereby identified as "forward-looking statements" for the purpose of the safe harbor provided by Section 21E of the Securities Exchange Act of 1934 and Section 27A of the Securities Act of 1933. The words "believe," "expect," "anticipate," "project," "plan," "intend," "will," "would," "might" and similar expressions often signify forward-looking statements. Such statements involve inherent risks and uncertainties. The Company cautions that such forward-looking statements, wherever they occur in this quarterly report or in other statements attributable to the Company, are necessarily estimates reflecting the judgment of the Company's senior management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. Such forward-looking statements should, therefore, be considered in light of various factors that could affect the accuracy of such forward-looking statements, including: general economic conditions, especially in the credit markets and in the Southeast; the performance of the capital markets; changes in interest rates, yield curves and interest rate spread relationships; changes in accounting and tax principles, policies or guidelines; changes in legislation or regulatory requirements; changes in our loan portfolio and deposit base; possible changes in laws and regulations and governmental monetary and fiscal policies, including, but not limited to, economic stimulus initiatives; the cost and other effects of legal and administrative cases and similar contingencies; possible changes in the creditworthiness of customers and the possible impairment of the collectability of loans and the value of collateral; the effect of natural disasters, such as hurricanes and tornados, in our geographic markets; and increased competition from both banks and non-banks. The foregoing list of factors is not exhaustive. For discussion of these and other risks that may cause actual results to differ from expectations, please refer to "Cautionary Note Regarding Forward Looking Statements" and "Risk Factors" in our most recent Annual Report on Form 10-K and our other SEC filings. If one or more of the factors affecting our forward-looking information and statements proves incorrect, then our actual results, performance or achievements could differ materially from those expressed in, or implied by, forward-looking information and statements contained herein. Accordingly, you should not place undue reliance on any forward-looking statements, which speak only as of the date made. ServisFirst Bancshares, Inc. assumes no obligation to update or revise any forward-looking statements that are made from time to time.

Business

We are a bank holding company under the Bank Holding Company Act of 1956 and are headquartered in Birmingham, Alabama. Our wholly-owned subsidiary, ServisFirst Bank, an Alabama banking corporation, provides commercial banking services through eighteen full-service banking offices located in Alabama, Georgia, South Carolina, Tennessee and the panhandle of Florida. Through the 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.

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

Overview

As of September 30, 2015, we had consolidated total assets of $4.8 billion, an increase of $0.7 billion, or 17.1%, from $4.1 billion at December 31, 2014. Total loans were $4.0 billion at September 30, 2015, up $0.7 billion, or 20.6%, from $3.4 billion at December 31, 2014. Total deposits were $4.0 billion at September 30, 2015, an increase of $0.6 billion, or 17.6%, from $3.4 billion at December 31, 2014.

Net income available to common stockholders for the three months ended September 30, 2015 was $16.2 million, an increase of $2.3 million, or 16.5%, from $13.9 million for the corresponding period in 2014. Basic and diluted earnings per common share were $0.63 and $0.61, respectively, for the three months ended September 30, 2015, compared to $0.56 and $0.54, respectively, for the corresponding period in 2014.

Net income available to common stockholders for the nine months ended September 30, 2015 was $43.5 million, an increase of $6.5 million, or 17.6%, from $37.0 million for the corresponding period in 2014. Basic and diluted earnings per common share were $1.70 and $1.65, respectively, for the nine months ended September 30, 2015, compared to $1.57 and $1.51, respectively, for the corresponding period in 2014.

Critical Accounting Policies

The accounting and financial policies of the Company conform to U.S. generally accepted accounting principles ("U.S. GAAP") and to general practices within the banking industry. To prepare consolidated financial statements in conformity with U.S. GAAP, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided, and future results could differ. The allowance for loan losses, valuation of foreclosed real estate, deferred taxes, and fair value of financial instruments are particularly subject to change. Information concerning our accounting policies with respect to these items is available in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014. As discussed in Note 1 – General in this Form 10-Q, we adopted a new critical accounting policy related to goodwill and other identifiable intangible assets during the first quarter of 2015 as a result of our acquisition of Metro Bancshares, Inc.

Financial Condition

Cash and Cash Equivalents

At September 30, 2015, we had $26.2 million in federal funds sold, compared to $0.9 million at December 31, 2014. We also maintain balances at the Federal Reserve Bank of Atlanta, which earn interest. At September 30, 2015, we had $164.0 million in balances at the Federal Reserve, compared to $246.2 million at December 31, 2014. Our balance at the Federal Reserve Bank historically decreases over the course of the first half of the year and then increases during the second half due to anticipated annual fluctuations in our depositors' balances.

Debt Securities

Debt securities available for sale totaled $306.7 million at September 30, 2015 and $298.3 million at December 31, 2014. Debt securities held to maturity totaled $28.0 million at September 30, 2015 and $29.4 million at December 31, 2014. We acquired 36 debt securities with an aggregate market value of $29.0 million in the Metro transaction. We subsequently sold 18 of these acquired securities for total proceeds of $14.8 million. We had pay downs of $18.4 million on mortgage-backed securities and maturities and calls of $13.8 million in government agency and municipal securities during the nine months ended September 30, 2015. We bought $8.4 million in mortgage-backed securities and $19.7 million in municipal securities during the first nine months of 2015. One of the municipal securities bought is classified as held to maturity. All other securities bought are classified as available for sale.

The objective of our investment policy is to invest funds not otherwise needed to meet our loan demand to earn the maximum return, yet still maintain sufficient liquidity to meet fluctuations in our loan demand and deposit structure. In doing so, we balance the market and credit risks against the potential investment return, make investments compatible with the pledge requirements of any deposits of public funds, maintain compliance with regulatory investment requirements, and assist certain public entities with their financial needs. The investment committee has full authority over the investment portfolio and makes decisions on purchases and sales of securities. The entire portfolio, along with all investment transactions occurring since the previous board of directors meeting, is reviewed by the board at each monthly meeting. The investment policy allows portfolio holdings to include short-term securities purchased to provide us with needed liquidity and longer term securities purchased to generate level income for us over periods of interest rate fluctuations.

Each quarter, management assesses whether there have been events or economic circumstances indicating that a security on which there is an unrealized loss is other-than-temporarily impaired. Management considers several factors, including the amount and duration of the impairment; the intent and ability of the Company to hold the security for a period sufficient for a recovery in value; and known recent events specific to the issuer or its industry. In analyzing an issuer's financial condition, management considers whether the securities are issued by agencies of the federal government, whether downgrades by bond rating agencies have occurred, and industry analysts' reports, among other things. As we currently do not have the intent to sell these securities and it is not more likely than not that we will be required to sell these securities before recovery of their amortized cost basis, which may be at maturity, and impairment positions at September 30, 2015 are interest-rate driven, no declines are deemed to be other than temporary. We will continue to evaluate our investment securities for possible other-than-temporary impairment, which could result in non-cash charges to earnings in one or more future periods.

All securities held are traded in liquid markets. As of September 30, 2015, we owned certain restricted securities of the Federal Home Loan Bank with an aggregate book value and market value of $4.0 million and certain securities of First National Bankers Bank in which we invested $0.4 million. We had no investments in any one security, restricted or liquid, in excess of 10% of our stockholders' equity.

The Bank does not invest in collateralized debt obligations ("CDOs"). All corporate bonds had a Standard and Poor's or Moody's rating of A-1 or better when purchased. The total investment portfolio at September 30, 2015 has a combined average credit rating of AA.

The carrying value of investment securities pledged to secure public funds on deposit and for other purposes as required by law was $242.7 million and $224.0 million as of September 30, 2015 and December 31, 2014, respectively.

Loans

We had total loans of $4.0 billion at September 30, 2015, an increase of $0.7 billion, or 20.6%, compared to $3.4 billion at December 31, 2014. At September 30, 2015, the percentage of our loans in each of our markets were as follows:

	Percentage of Total Loans in MSA
Birmingham-Hoover, AL MSA	46.6%
Huntsville, AL MSA	10.7%
Dothan, AL MSA	10.5%
Montgomery, AL MSA	8.8%
Mobile, AL MSA	5.4%
Total Alabama MSAs	82.0%
Pensacola, FL MSA	7.3%
Nashville, TN MSA	5.8%
Atlanta, GA MSA	3.9%
Charleston, SC MSA	1.0%

Asset Quality

The allowance for loan losses is established and maintained at levels management deems adequate to absorb anticipated credit losses from identified and otherwise inherent risks in the loan portfolio as of the balance sheet date. In assessing the adequacy of the allowance for loan losses, management considers its evaluation of the loan portfolio, past due loan experience, collateral values, current economic conditions and other factors considered necessary to maintain the allowance at an adequate level. Our management believes that the allowance was adequate at September 30, 2015.

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

September 30, 2015		Amount	Percentage of loans in each category to total loans
		(In Thousands)	
Commercial, financial and agricultural	$	20,697	41.32%
Real estate - construction		5,419	5.76%
Real estate - mortgage		15,939	51.27%
Consumer		519	1.65%
Total	$	42,574	100.00%

December 31, 2014		Amount	Percentage of loans in each category to total loans
		(In Thousands)	
Commercial, financial and agricultural	$	16,079	44.50%
Real estate - construction		6,395	6.21%
Real estate - mortgage		12,112	47.58%
Consumer		1,043	1.71%
Total	$	35,629	100.00%

Nonperforming Assets

Total nonperforming loans, which include nonaccrual loans and loans 90 or more days past due and still accruing, increased $0.3 million to $10.4 million at September 30, 2015, compared to $10.1 million at December 31, 2014. Of this total, nonaccrual loans of $9.9 million at September 30, 2015 represented a net increase of $0.8 million from nonaccrual loans at December 31, 2014. There were four loans 90 or more days past due and still accruing totaling $524,000 at September 30, 2015, compared to one loan 90 or more days past due and still accruing totaling $925,000, at December 31, 2014. Troubled Debt Restructurings (“TDR”) at September 30, 2015 and December 31, 2014 were $8.3 million and $9.0 million, respectively. There were no loans newly classified as a TDR or renewals of existing TDRs for the three and nine months ended September 30, 2015, compared to $5.1 million and $7.0 million, for the three and nine months ended September 30, 2014.

OREO and repossessed assets decreased to $6.1 million at September 30, 2015, from $6.8 million at December 31, 2014. The total number of OREO and repossessed asset accounts decreased to 19 at September 30, 2015, compared to 22 at December 31, 2014. The following table summarizes OREO and repossessed asset activity for the nine months ended September 30, 2015 and 2014:

	Nine months ended September 30, 2015	2014
	(In thousands)	
Balance at beginning of period	$ 6,840	$ 12,861
OREO acquired - Metro	2,348	-
Transfers from loans and capitalized expenses	1,968	1,065
Proceeds from sales	(4,611)	(5,526)
Internally financed sales	-	(675)
Write-downs / net loss on sales	(477)	(785)
Balance at end of period	$ 6,068	$ 6,940

The following table summarizes our nonperforming assets and TDRs at September 30, 2015 and December 31, 2014:

	September 30, 2015		**December 31, 2014**	
	Balance	**Number of Loans**	**Balance**	**Number of Loans**
	(Dollar Amounts In Thousands)			
Nonaccrual loans:				
Commercial, financial and agricultural	$ 4,339	12	$ 172	4
Real estate - construction	4,000	7	5,049	11
Real estate - mortgage:				
Owner-occupied commercial	121	2	683	2
1-4 family mortgage	355	3	1,596	3
Other mortgage	1,002	4	959	1
Total real estate - mortgage	1,478	9	3,238	6
Consumer	33	1	666	4
Total Nonaccrual loans:	$ 9,850	29	$ 9,125	25
90+ days past due and accruing:				
Commercial, financial and agricultural	$ 49	1	$ 925	1
Real estate - construction	-	-	-	-
Real estate - mortgage:				
Owner-occupied commercial	-	-	-	-
1-4 family mortgage	472	2	-	-
Other mortgage	-	-	-	-
Total real estate - mortgage	472	2	-	-
Consumer	3	1	-	-
Total 90+ days past due and accruing:	$ 524	4	$ 925	1
Total Nonperforming Loans:	$ 10,374	33	$ 10,050	26
Plus: Other real estate owned and repossessions	6,068	19	6,840	22
Total Nonperforming Assets	$ 16,442	52	$ 16,890	48
Restructured accruing loans:				
Commercial, financial and agricultural	$ 6,612	8	$ 6,632	8
Real estate - construction	-	-	-	-
Real estate - mortgage:				
Owner-occupied commercial	-	-	-	-
1-4 family mortgage	-	-	-	-
Other mortgage	1,654	2	1,663	2
Total real estate - mortgage	1,654	2	1,663	2
Consumer	-	-	-	-
Total restructured accruing loans:	$ 8,266	10	$ 8,295	10
Total Nonperforming assets and restructured accruing loans	$ 24,708	62	$ 25,185	58
Ratios:				
Nonperforming loans to total loans	0.26%		0.30%	
Nonperforming assets to total loans plus other real estate owned and repossessions	0.41%		0.50%	
Nonperforming assets plus restructured accruing loans to total loans plus other real estate owned and repossessions	0.61%		0.75%	

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

Impaired Loans and Allowance for Loan Losses

As of September 30, 2015, we had impaired loans of $37.4 million, inclusive of nonaccrual loans, an increase of $10.7 million from $26.7 million as of December 31, 2014. This increase is attributable to loans totaling $21.5 million newly classified as specifically impaired, as well as purchased credit impaired loans totaling $2.9 million as of September 30, 2015, partially offset by loan pay downs of $12.4 million and loan charge-offs of $1.3 million We allocated $7.4 million of our allowance for loan losses at September 30, 2015 to these impaired loans, an increase of $2.3 million compared to $5.1 million as of December 31, 2014. A loan is considered impaired, based on current information and events, if it is probable that we will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the original loan agreement. Impairment does not always indicate credit loss, but provides an indication of collateral exposure based on prevailing market conditions and third-party valuations. Impaired loans are measured by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral-dependent. The amount of impairment, if any, and subsequent changes are included in the allowance for loan losses. Interest on accruing impaired loans is recognized as long as such loans do not meet the criteria for nonaccrual status. Our credit administration group performs verification and testing to ensure appropriate identification of impaired loans and that proper reserves are held on these loans.

Of the $37.4 million of impaired loans reported as of September 30, 2015, $14.1 million were commercial and industrial loans, $4.7 million were real estate construction loans and $18.6 million were real estate mortgage loans.

Deposits

Total deposits increased $0.6 billion, or 17.6%, to $4.0 billion at September 30, 2015 compared to $3.4 billion at December 31, 2014. We anticipate long-term sustainable growth in deposits through continued development of market share in our markets.

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

Other Borrowings

Our borrowings consist of federal funds purchased, subordinated notes payable and Federal Home Loan Bank advances. We had $228.4 million and $264.3 million at September 30, 2015 and December 31, 2014, respectively, in federal funds purchased from correspondent banks that are clients of our correspondent banking unit. The average rate paid on these borrowings was 0.31% for the quarter ended September 30, 2015. Other borrowings consist of the following:

- $20.0 million of 5.50% Subordinated Notes due November 9, 2022, which were issued in a private placement in November 2012,
- $34.75 million of 5% Subordinated Notes due July 15, 2025, which were issued in a private placement in July 2015, and
- $1.1 million of principal reducing advances from the Federal Home Loan Bank of Atlanta, which have an interest rate of 0.75% and require quarterly principal payments of $100,000 until maturity on May 22, 2018.

Liquidity

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

The retention of existing deposits and attraction of new deposit sources through new and existing customers is critical to our liquidity position. If our liquidity were to decline due to a run-off in deposits, we have procedures that provide for certain actions under varying liquidity conditions. These actions include borrowing from existing correspondent banks, selling or participating loans, and curtailing loan commitments and funding. At September 30, 2015, liquid assets, which are represented by cash and due from banks, federal funds sold and unpledged available-for-sale securities, totaled $242.7 million. Additionally, the Bank had additional borrowing availability of approximately $180.0 million in unused federal funds lines of credit with regional banks, subject to certain restrictions and collateral requirements. We added a new line for $20.0 million during the third quarter of 2015. We believe these sources of funding are adequate to meet immediate anticipated funding needs. Our management meets on a quarterly basis to review sources and uses of funding to determine the appropriate strategy to ensure an appropriate level of liquidity. At the current time, our long-term liquidity needs primarily relate to funds required to support loan originations and commitments and deposit withdrawals. Our regular sources of funding are from the growth of our deposit base, correspondent banking relationships and related federal funds purchased, repayment of principal and interest on loans, the sale of loans and the renewal of time deposits. In addition, we have issued debt as described above under “Other Borrowings”.

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

The following table reflects the contractual maturities of our term liabilities as of September 30, 2015. The amounts shown do not reflect any early withdrawal or prepayment assumptions.

	Payments due by Period				
	Total	1 year or less	Over 1 - 3 years	Over 3 - 5 years	Over 5 years
	(In Thousands)				
Contractual Obligations (1)					
Deposits without a stated maturity	$ 3,549,913	$ -	$ -	$ -	$ -
Certificates of deposit (2)	494,721	297,779	150,307	46,223	412
Federal funds purchased	228,415	228,415	-	-	-
Subordinated debentures	55,728	400	700	-	54,628
Operating lease commitments	14,831	2,937	5,066	3,452	3,376
Total	$ 4,343,608	$ 529,531	$ 156,073	$ 49,675	$ 58,416

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

Capital Adequacy

As of September 30, 2015, our most recent notification from the FDIC categorized us as well-capitalized under the regulatory framework for prompt corrective action. To remain categorized as well-capitalized, we must maintain minimum total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios as disclosed in the table below. Our management believes that we are well-capitalized under the prompt corrective action provisions as of September 30, 2015.

We issued subordinated notes payable in the aggregate amount of $34.75 million on July 15, 2015. The notes qualify as Tier 2 Capital. We used the proceeds from the issuance of the notes to redeem our Senior Non-Cumulative Perpetual Preferred Stock, Series A, issued to the United States Department of the Treasury on June 21, 2011.

In July 2013, the Federal Reserve announced its approval of a final rule to implement the regulatory capital reforms developed by the Basel Committee on Banking Supervision ("Basel III"), among other changes required by the Dodd-Frank Wall Street Reform and Consumer Protection Act. The new rules became effective January 1, 2015, subject to a phase-in period for certain aspects of the new rules. In order to avoid restrictions on capital distributions and discretionary bonus payments to executives, under the new rules a covered banking organization will also be required to maintain a "capital conservation buffer" in addition to its minimum risk-based capital requirements. This buffer will be required to consist solely of common equity Tier 1, and the buffer will apply to all three risk-based measurements (CET1, Tier 1 capital and total capital). The capital conservation buffer will be phased in incrementally over time, beginning January 1, 2016 and becoming fully effective on January 1, 2019, and will ultimately consist of an additional amount of Tier 1 common equity equal to 2.5% of risk-weighted assets.

The following table sets forth (i) the capital ratios required by the FDIC and the Alabama Banking Department's leverage ratio requirement and (ii) our actual ratios of capital to total regulatory or risk-weighted assets, as of September 30, 2015, December 31, 2014 and September 30, 2014:

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in thousands)					
As of September 30, 2015:						
Total Capital to Risk-Weighted Assets:						
Consolidated	$ 409,901	9.59%	$ 192,335	4.50%	N/A	N/A
ServisFirst Bank	414,687	9.71%	192,262	4.50%	$ 277,712	6.50%
Tier 1 Capital to Risk-Weighted Assets:						
Consolidated	410,278	9.60%	256,447	6.00%	N/A	N/A
ServisFirst Bank	415,064	9.71%	256,349	6.00%	341,799	8.00%
Tier 1 Capital to Average Assets:						
Consolidated	507,982	11.89%	341,929	8.00%	N/A	N/A
ServisFirst Bank	458,138	10.72%	341,799	8.00%	427,249	10.00
Common Equity Tier 1 Capital to Risk-Weighted Assets (1):						
Consolidated	410,278	8.83%	185,947	4.00%	N/A	N/A
ServisFirst Bank	415,064	8.93%	186,569	4.00%	232,390	5.00%
As of December 31, 2014:						
Total Capital to Risk-Weighted Assets:						
Consolidated	$ 402,471	11.75%	$ 136,972	4.00%	N/A	N/A
ServisFirst Bank	362,119	10.58%	136,970	4.00%	$ 205,454	6.00%
Tier 1 Capital to Risk-Weighted Assets:						
Consolidated	458,073	13.38%	273,943	8.00%	N/A	N/A
ServisFirst Bank	397,748	11.62%	273,939	8.00%	342,424	10.00%
Tier 1 Capital to Average Assets:						
Consolidated	402,471	9.91%	162,377	4.00%	N/A	N/A
ServisFirst Bank	362,119	8.92%	162,375	4.00%	202,969	5.00%
As of September 30, 2014:						
Total Capital to Risk-Weighted Assets:						
Consolidated	$ 388,446	12.02%	$ 129,244	4.00%	N/A	N/A
ServisFirst Bank	356,183	11.02%	129,238	4.00%	$ 193,856	6.00%
Tier 1 Capital to Risk-Weighted Assets:						
Consolidated	442,853	13.71%	258,487	8.00%	N/A	N/A
ServisFirst Bank	390,625	12.09%	258,475	8.00%	323,094	10.00%
Tier 1 Capital to Average Assets:						
Consolidated	388,446	10.18%	152,598	4.00%	N/A	N/A
ServisFirst Bank	356,183	9.34%	152,588	4.00%	190,735	5.00%

(1) Common Equity Tier 1 Capital to Risk-Weighted Assets became effective for us on January 1, 2015.

Off-Balance Sheet Arrangements

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

Our exposure to credit loss in the event of non-performance by the other party to such financial instruments is represented by the contractual or notional amount of those instruments. We use the same credit policies in making commitments and conditional obligations as we do for on-balance sheet instruments. During the first quarter of 2015, we funded an initial reserve for losses on such off-balance sheet arrangements consistent with guidance in the Federal Reserve Bank's Interagency Policy Statement SR 06-17. As of September 30, 2015, we had total reserves of $500,000.

As part of our mortgage operations, we originate and sell certain loans to investors in the secondary market. We continue to experience a manageable level of investor repurchase demands. For loans sold, we have an obligation to either repurchase the outstanding principal balance of a loan or make the purchaser whole for the economic benefits of a loan if it is determined that the loans sold were in violation of representations and warranties made by the Bank at the time of the sale. Representations and warranties typically include those made regarding loans that had missing or insufficient file documentation or loans obtained through fraud by borrowers or other third parties such as appraisers. We had a reserve of $76,000 as of September 30, 2015 and $31,000 as of December 31, 2014 for the settlement of any repurchase demands by investors. In December 2014, we repurchased one loan with a principal balance of $292,000 from an investor due to a loan-to-value ("LTV") exception. We currently hold this loan and anticipate re-selling it later in 2015 when its LTV is acceptable. The proceeds from such sale will be posted back into the reserve.

Financial instruments whose contract amounts represent credit risk at September 30, 2015 are as follows:

	September 30, 2015 (In Thousands)
Commitments to extend credit	$ 1,360,751
Credit card arrangements	55,751
Standby letters of credit	31,320
	$ 1,447,822

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

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

Federal funds lines of credit are uncommitted lines issued to downstream correspondent banks for the purpose of providing liquidity to them. The lines are unsecured, and we have no obligation to sell federal funds to the correspondent, nor does the correspondent have any obligation to request or accept purchases of federal funds from us.

Results of Operations

Summary of Net Income

Net income for the three months ended September 30, 2015 was $16.3 million compared to net income of $14.0 million for the three months ended September 30, 2014. Net income for the nine months ended September 30, 2015 was $43.8 million compared to net income of $37.3 million for the nine months ended September 30, 2014. Core net income for the nine months ended September 30, 2015 was $45.6 million compared to core net income for the nine months ended September 30, 2014 of $39.0 million. Core net income excludes the impact of non-routine expenses during the comparative periods, as more fully discussed in "Noninterest Expense" below. 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" below. The increase in net income for the three months ended September 30, 2015 compared to 2014 was primarily the result of an $8.6 million increase in net interest income as a result of growth in average earning assets, offset by a $3.0 million increase in noninterest expense. The increase in net income for the nine months ended September 30, 2015 compared to 2014 was primarily the result of a $23.0 million increase in net interest income as a result of growth in average earning assets, offset by a $2.0 million increase in provision for loan losses and $10.8 million increase in noninterest expense.

Basic and diluted net income per common share were $0.63 and $0.61, respectively, for the three months ended September 30, 2015, compared to $0.56 and $0.54, respectively, for the corresponding period in 2014. Basic and diluted net income per common share were $1.70 and $1.65, respectively, for the nine months ended September 30, 2015, compared to $1.57 and $1.51, respectively, for the corresponding period in 2014. Core basic and diluted earnings per share were $1.77 and $1.72, respectively, for the nine months ended September 30, 2015 compared to $1.64 and $1.57, respectively, for the corresponding period in 2014. Return on average assets for the three and nine months ended September 30, 2015 was 1.38% and 1.32%, respectively, compared to 1.45% and 1.37%, respectively, for the corresponding periods in 2014. Core return on average assets for the nine months ended September 30, 2015 was 1.37% compared to 1.43% for the corresponding period in 2014. Return on average common stockholders' equity for the three and nine months ended September 30, 2015 was 15.52% and 14.40% compared to 15.89% and 16.17%, respectively, for the corresponding periods in 2014. Core return on average common stockholders' equity for the nine months ended September 30, 2015 was 14.99% compared to 16.88% for the corresponding period in 2014.

Net Interest Income

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

Taxable-equivalent net interest income increased $8.6 million, or 25.4%, to $42.4 million for the three months ended September 30, 2015 compared to $33.8 million for the corresponding period in 2014, and increased $23.2 million, or 23.8%, to $120.7 million for the nine months ended September 30, 2015 compared to $97.5 million for the corresponding period in 2014. This increase was primarily attributable to growth in average earning assets, which increased $0.8 billion, or 21.6%, from the third quarter of 2014 to the third quarter of 2015, and $0.7 billion, or 20.0%, from the nine months ended September 30, 2014 to the same period in 2015. The taxable-equivalent yield on interest-earning assets increased to 4.18% for the three months ended September 30, 2015 from 4.03% for the corresponding period in 2014, and increased to 4.21% for the nine months ended September 30, 2015 from 4.12% for the corresponding period in 2014. The yield on loans for the three months ended September 30, 2015 was 4.48% compared to 4.44% for the corresponding period in 2014, and 4.49% compared to 4.47% for the nine months ended September 30, 2015 and September 30, 2014, respectively. Discount accretion on loans acquired in the Metro acquisition in February of 2015 contributed $576,000 and $1,696,000, respectively, for the three and nine months ended September 30, 2015. Loan fees included in the yield calculation increased to $373,000 for the three months ended September 30, 2015 from $238,000 for the corresponding period in 2014, and increased to $883,000 for the nine months ended September 30, 2015 from $698,000 for the corresponding period in 2014. The cost of total interest-bearing liabilities increased to 0.57% for the three months ended September 30, 2015 compared to 0.53% for the corresponding period in 2014, and increased to 0.54% for the nine months ended September 30, 2015 from 0.53% for the corresponding period in 2014. We issued our 5% Subordinated Notes due July 15, 2025 during the third quarter of 2015, which contributed to the increase in our cost of funds for the comparative periods. Net interest margin for the three months ended September 30, 2015 was 3.77% compared to 3.65% for the corresponding period in 2014, and 3.82% for the nine months ended September 30, 2015 compared to 3.72% for the corresponding period in 2014.

The following tables show, for the three and nine months ended September 30, 2015 and September 30, 2014, the average balances of each principal category of our assets, liabilities and stockholders' equity, and an analysis of net interest revenue. The accompanying tables reflect changes in our net interest margin as a result of changes in the volume and rate of our interest-earning assets and interest-bearing liabilities for the same periods. Changes as a result of mix or the number of days in the periods have been allocated to the volume and rate changes in proportion to the relationship of the absolute dollar amounts of the change in each. The tables are presented on a taxable-equivalent basis where applicable:

Average Consolidated Balance Sheets and Net Interest Analysis
On a Fully Taxable-Equivalent Basis
For the Three Months Ended September 30, 2015 and 2014
(Dollar Amounts In Thousands)

	2015			2014		
	Average Balance	Interest Earned / Paid	Average Yield / Rate	Average Balance	Interest Earned / Paid	Average Yield / Rate
Assets:						
Interest-earning assets:						
Loans, net of unearned income (1)						
Taxable	$ 3,915,778	$ 44,233	4.48%	$ 3,081,435	$ 34,514	4.44%
Tax-exempt (2)	9,802	122	4.98	12,043	129	4.28
Mortgage loans held for sale	7,714	84	4.32	6,861	63	3.64
Investment securities:						
Taxable	189,939	1,041	2.19	195,220	1,129	2.31
Tax-exempt (2)	139,543	1,377	3.95	126,512	1,290	4.08
Total investment securities (3)	329,482	2,418	2.94	321,732	2,419	3.01
Federal funds sold	24,860	32	0.51	57,625	39	0.27
Restricted equity securities	4,954	52	4.16	3,418	33	3.83
Interest-bearing balances with banks	168,548	116	0.27	185,716	116	0.25
Total interest-earning assets	$ 4,461,138	$ 47,057	4.18%	$ 3,668,830	$ 37,313	4.03%
Non-interest-earning assets:						
Cash and due from banks	63,259			58,340		
Net fixed assets and equipment	18,961			8,310		
Allowance for loan losses, accrued interest and other assets	127,778			86,859		
Total assets	$ 4,671,136			3,822,339		
Liabilities and stockholders' equity:						
Interest-bearing liabilities:						
Interest-bearing demand deposits	$ 593,550	$ 425	0.28%	$ 484,291	$ 322	0.26%
Savings deposits	37,281	28	0.30	26,584	19	0.28
Money market accounts	1,817,997	2,158	0.47	1,555,091	1,741	0.44
Time deposits	485,137	1,208	0.99	394,158	1,040	1.05
Federal funds purchased	246,168	191	0.31	187,629	133	0.28
Other borrowings	50,509	660	5.18	19,961	283	5.62
Total interest-bearing liabilities	$ 3,230,642	$ 4,670	0.57%	$ 2,667,714	$ 3,538	0.53%
Non-interest-bearing liabilities:						
Non-interest-bearing demand deposits	988,756			751,831		
Other liabilities	23,714			15,796		
Stockholders' equity	424,113			382,025		
Unrealized gains on securities and derivatives	3,911			4,973		
Total liabilities and stockholders' equity	$ 4,671,136			$ 3,822,339		
Net interest spread			3.61%			3.51%
Net interest margin			3.77%			3.65%

(1) Non-accrual loans are included in average loan balances in all periods. Loan fees of $373,000 and $238,000 are included in interest income in 2015 and 2014, respectively.
(2) Interest income and yields are presented on a fully taxable equivalent basis using a tax rate of 35%.
(3) Unrealized gains of $6,016,000 and $7,651,000 are excluded from the yield calculation in 2015 and 2014, respectively.

	For the Three Months Ended September 30, 2015 Compared to 2014 Increase (Decrease) in Interest Income and Expense Due to Changes in:		
	Volume	Rate	Total
	(In Thousands)		
Interest-earning assets:			
Loans, net of unearned income			
Taxable	$ 9,423	$ 296	$ 9,719
Tax-exempt	(26)	19	(7)
Mortgages held for sale	8	13	21
Debt securities:			
Taxable	(30)	(58)	(88)
Tax-exempt	130	(43)	87
Total debt securities	100	(101)	(1)
Federal funds sold	(30)	23	(7)
Restricted equity securities	16	3	19
Interest-bearing balances with banks	(11)	11	-
Total interest-earning assets	9,480	264	9,744
Interest-bearing liabilities:			
Interest-bearing demand deposits	77	26	103
Savings	8	1	9
Money market accounts	307	110	417
Time deposits	230	(62)	168
Federal funds purchased	44	14	58
Other borrowed funds	401	(24)	377
Total interest-bearing liabilities	1,067	65	1,132
Increase in net interest income	$ 8,413	$ 199	$ 8,612

Our growth in loans continues to drive favorable volume component change and overall change. We also have experienced a favorable variance relating to the interest rate component because rates on earning assets advanced by 15 basis points while the cost of interest-bearing liabilities increased by 4 basis points. Growth in noninterest-bearing deposits has also contributed to the growth in net interest income. Our growth in loans continues to drive favorable volume component change and overall change.

Average Consolidated Balance Sheets and Net Interest Analysis
On a Fully Taxable-Equivalent Basis
For the Nine Months Ended September 30, 2015 and 2014
(Dollar Amounts In Thousands)

	2015			2014		
	Average Balance	Interest Earned / Paid	Average Yield / Rate	Average Balance	Interest Earned / Paid	Average Yield / Rate
Assets:						
Interest-earning assets:						
Loans, net of unearned income (1)						
Taxable	$ 3,714,830	$ 124,705	4.49%	$ 2,984,858	$ 99,727	4.47%
Tax-exempt (2)	9,994	374	4.99	14,123	397	3.75
Mortgage loans held for sale	9,108	190	2.79	6,477	159	3.28
Investment securities:						
Taxable	193,743	3,272	2.25	186,144	3,354	2.40
Tax-exempt (2)	135,250	4,054	4.00	124,379	3,815	4.09
Total investment securities (3)	328,993	7,326	2.97	310,523	7,169	3.08
Federal funds sold	30,258	81	0.36	51,313	118	0.31
Restricted equity securities	4,745	132	3.72	3,533	97	3.67
Interest-bearing balances with banks	129,581	262	0.27	130,221	211	0.22
Total interest-earning assets	$ 4,227,509	$ 133,070	4.21%	$ 3,501,048	$ 107,878	4.12%
Non-interest-earning assets:						
Cash and due from banks	60,348			57,278		
Net fixed assets and equipment	16,396			8,469		
Allowance for loan losses, accrued interest and other assets	125,973			86,968		
Total assets	$ 4,430,226			$ 3,653,763		
Liabilities and stockholders' equity:						
Interest-bearing liabilities:						
Interest-bearing demand deposits	$ 575,736	$ 1,187	0.28%	$ 481,715	$ 960	0.27%
Savings deposits	37,040	79	0.29	25,696	54	0.28
Money market accounts	1,697,615	5,777	0.45	1,481,868	4,904	0.44
Time deposits	470,597	3,557	1.01	403,063	3,246	1.08
Federal funds purchased	264,112	583	0.30	193,104	402	0.28
Other borrowings	30,948	1,231	5.32	19,953	850	5.70
Total interest-bearing liabilities	$ 3,076,048	$ 12,414	0.54%	$ 2,605,399	$ 10,416	0.53%
Non-interest-bearing liabilities:						
Non-interest-bearing demand deposits	903,992			689,503		
Other liabilities	15,126			12,759		
Stockholders' equity	430,425			341,269		
Unrealized gains on securities and derivatives	4,635			4,833		
Total liabilities and stockholders' equity	$ 4,430,226			$ 3,653,763		
Net interest spread			3.67%			3.59%
Net interest margin			3.82%			3.72%

(1) Non-accrual loans are included in average loan balances in all periods. Loan fees of $883,000 and $698,000 are included in interest income in 2015 and 2014, respectively.
(2) Interest income and yields are presented on a fully taxable equivalent basis using a tax rate of 35%.
(3) Unrealized gains of $6,846,000 and $7,438,000 are excluded from the yield calculation in 2015 and 2014, respectively.

	For the Nine Months Ended September 30, 2015 Compared to 2014 Increase (Decrease) in Interest Income and Expense Due to Changes in:		
	Volume	Rate	Total
	(In Thousands)		
Interest-earning assets:			
Loans, net of unearned income			
Taxable	$ 24,503	$ 475	$ 24,978
Tax-exempt	(134)	111	(23)
Mortgages held for sale	58	(27)	31
Debt securities:			
Taxable	133	(215)	(82)
Tax-exempt	327	(88)	239
Total debt securities	460	(303)	157
Federal funds sold	(54)	17	(37)
Restricted equity securities	34	1	35
Interest-bearing balances with banks	(1)	52	51
Total interest-earning assets	24,866	326	25,192
Interest-bearing liabilities:			
Interest-bearing demand deposits	193	34	227
Savings	24	1	25
Money market accounts	731	142	873
Time deposits	519	(208)	311
Federal funds purchased	156	25	181
Other borrowed funds	440	(59)	381
Total interest-bearing liabilities	2,063	(65)	1,998
Increase in net interest income	$ 22,803	$ 391	$ 23,194

Our growth in loans continues to drive favorable volume component change and overall change. We also experienced a favorable rate component change during the nine months ended September 30, 2015 as the average rate on interest-bearing assets advanced 9 basis points while the cost of interest-bearing liabilities increased by only 1 basis point.

Provision for Loan Losses

The provision for loan losses represents the amount determined by management to be necessary to maintain the allowance for loan losses at a level capable of absorbing inherent losses in the loan portfolio. Our management reviews the adequacy of the allowance for loan losses on a quarterly basis. The allowance for loan losses calculation is segregated into various segments that include classified loans, loans with specific allocations and pass rated loans. A pass rated loan is generally characterized by a very low to average risk of default and in which management perceives there is a minimal risk of loss. Loans are rated using a nine-point risk grade scale with loan officers having the primary responsibility for assigning risk grades and for the timely reporting of changes in the risk grades. Based on these processes, and the assigned risk grades, the criticized and classified loans in the portfolio are segregated into the following regulatory classifications: Special Mention, Substandard, Doubtful or Loss, with some general allocation of reserve based on these grades. At September 30, 2015, total loans rated Special Mention, Substandard, and Doubtful were $133.0 million, or 3.3% of total loans, compared to $77.6 million, or 2.3% of total loans, at December 31, 2014. Impaired loans are reviewed specifically and separately under FASB ASC 310-30-35, Subsequent Measurement of Impaired Loans, to determine the appropriate reserve allocation. Our management compares the investment in an impaired loan with the present value of expected future cash flow discounted at the loan's effective interest rate, the loan's observable market price or the fair value of the collateral, if the loan is collateral-dependent, to determine the specific reserve allowance. Reserve percentages assigned to non-impaired loans are based on historical charge-off experience adjusted for other risk factors. To evaluate the overall adequacy of the allowance to absorb losses inherent in our loan portfolio, our management considers historical loss experience based on volume and types of loans, trends in classifications, volume and trends in delinquencies and nonaccruals, economic conditions and other pertinent information. Based on future evaluations, additional provisions for loan losses may be necessary to maintain the allowance for loan losses at an appropriate level.

The provision for loan losses was $3.1 million for the three months ended September 30, 2015, an increase of $0.4 million from $2.7 million for the three months ended September 30, 2014, and was $9.5 million for the nine months ended September 30, 2015, a $2.0 million increase, compared to $7.5 million for the nine months ended September 30, 2014. The increase in provision for loan losses for the three and nine month periods ended September 30, 2015 is primarily attributable to loan growth. Nonperforming loans increased to $10.4 million, or 0.26% of total loans, at September 30, 2015 from $10.1 million, or 0.30% of total loans, at December 31, 2014, but were lower than $17.3 million, or 0.55% of total loans, at September 30, 2014. Impaired loans increased to $37.4 million, or 0.93% of total loans, at September 30, 2015, compared to $27.6 million, or 0.82% of total loans, at December 31, 2014. The allowance for loan losses totaled $42.6 million, or 1.05% of total loans, net of unearned income, at September 30, 2015, compared to $35.6 million, or 1.06% of loans, net of unearned income, at December 31, 2014. Accounting requirements for the first quarter 2015 acquisition of Metro has affected the comparability of the allowance as a percentage of loans. Excluding former Metro loans recorded at acquisition date fair value, the allowance for loan losses approximates 1.08% of all other loans.

Non-interest Income

Non-interest income totaled $3.8 million for the three months ended September 30, 2015, an increase of $0.8 million, or 26.7%, compared to the corresponding period in 2014, and totaled $10.4 million for the nine months ended September 30, 2015, an increase of $2.3 million, or 28.4%, compared to the corresponding period in 2014. Service charges on deposit accounts increased to $3.8 million for the nine months ended September 30, 2015 compared to $3.1 million for the same period in 2014. This increase is the result of added accounts and also increases in monthly service charges and various transaction fees on many of our business account types that became effective in May 2014. Income from credit cards increased to $0.7 million for the three months ended September 30, 2015 from $0.5 million for the same period in 2014, and increased to $1.7 million for the nine months ended September 30, 2015 compared to $1.5 million for the same period in 2014, which primarily resulted in the increase in other operating income. Increases in the cash surrender value of bank-owned life insurance contracts increased by $0.2 million and $0.4 million during the three and nine month periods ended September 30, 2015 compared to the same periods in 2014, a result of the purchase of additional life insurance contracts in September 2014, and $2.7 million in contracts acquired in the Metro transaction. Income from mortgage banking for the nine months ended September 30, 2015 was $2.1 million, up from $1.5 million for the same period in 2014. This increase is attributable to an increase in the number of loans originated and sold and improved margins on loans sold. We sold one debt security during the first nine months of 2014 with a small gain.

Non-interest Expense

Non-interest expense totaled $18.3 million for the three months ended September 30, 2015, an increase of $3.0 million, or 19.6%, compared to $15.3 million for the same period in 2014, and totaled $55.3 million for the nine months ended September 30, 2015, an increase of $10.8 million, or 24.3%, compared to $44.5 million for the same period in 2014.

Details of expenses are as follows:

- Salary and benefit expense increased $2.7 million, or 34.2%, to $10.6 million for the three months ended September 30, 2015 from $7.9 million for the same period in 2014, and increased $5.3 million, or 21.5%, to $30.0 million for the nine months ended September 30, 2015 from $24.7 million for the same period in 2014. We recorded $2.5 million of compensation expense in the first nine months of 2014 resulting from the correction of our accounting for vested stock options and acceleration of vesting for unvested stock options previously granted to members of our advisory boards in our markets. Excluding this non-routine expense, salary and benefit expense increased $7.8 million, or 35.1%, for the nine months ended September 30, 2015 over the corresponding period in 2014. This increase is primarily the result of employees of Metro Bank coming on board in February 2015 and new employee hires in our newer markets of Nashville, Tennessee and Charleston, South Carolina. Additionally, incentive accruals increased $0.3 million and $1.8 million for the three and nine months ended September 30, 2015, respectively, compared to the corresponding periods in 2014. We had 367 full-time equivalent employees at September 30, 2015 compared to 285 at September 30, 2014, a 28.8% increase.

- Equipment and occupancy expense increased $0.2 million, or 14.3%, to $1.6 million for the three months ended September 30, 2015 from $1.4 million for the corresponding period in 2014, and increased $0.7 million, or 16.7%, to $4.9 million from $4.2 million for the nine months ended September 30, 2015 compared to the corresponding period in 2014. These increases are attributable to our continued expansion into new markets and the Metro transaction.

- Merger expenses related to the acquisition of Metro in the first quarter of 2015 were $2.1 million.

- Other operating expenses increased $0.3 million to $4.4 million for the three months ended September 30, 2015 compared to the same period in 2014, and increased $2.5 million to $13.6 million for the nine months ended September 30, 2015 compared to the same period in 2014. Increases in Federal Reserve Bank service charges of $0.1 million and $0.3 million for the three and nine months ended September 30, 2015 when compared to the corresponding periods in 2014 are the result of increased clearing services for correspondent bank clients. We also incurred a non-routine expense of $0.5 million during the first quarter of 2015 to fund a reserve for unfunded loan commitments consistent with guidance provided in the Federal Reserve Bank's Interagency Policy Statement SR 06-17. Expenses relating to our growth in loans and expansion into new markets also contributed to the increased other operating expenses in the 2015 periods.

The following table presents our non-interest income and non-interest expense for the three and nine month periods ending September 30, 2015 compared to the same periods in 2014.

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2015	2014	$ change	% change	2015	2014	$ change	% change
Non-interest income:								
Service charges on deposit accounts	$ 1,279	$ 1,172	$ 107	9.1%	$ 3,762	$ 3,097	$ 665	21.5%
Mortgage banking	873	582	291	50.0%	2,062	1,540	522	33.9%
Securities gains	-	3	(3)	NM	29	3	26	NM%
Increase in cash surrender value life insurance	683	549	134	24.4%	1,991	1,631	360	22.1%
Other operating income	987	700	287	41.0%	2,560	1,848	712	38.5%
Total non-interest income	$ 3,822	$ 3,006	$ 816	27.1%	$ 10,404	$ 8,119	$ 2,285	28.1%
Non-interest expense:								
Salaries and employee benefits	$ 10,595	$ 7,890	$ 2,705	34.3%	$ 30,029	$ 24,685	$ 5,344	21.6%
Equipment and occupancy expense	1,575	1,437	138	9.6%	4,870	4,212	658	15.6%
Professional services	668	829	(161)	(19.4)%	1,901	1,877	24	1.3%
FDIC and other regulatory assessments	681	533	148	27.8%	1,927	1,578	349	22.1%
OREO expense	400	220	180	81.8%	903	1,005	(102)	(10.1)%
Merger expense	-	-	-	NM%	2,100	-	2,100	NM%
Other operating expense	4,413	4,406	7	0.2%	13,566	11,098	2,468	22.2%
Total non-interest expense	$ 18,332	$ 15,315	$ 3,017	19.7%	$ 55,296	$ 44,455	$ 10,841	24.4%

Income Tax Expense

Income tax expense was $8.0 million for the three months ended September 30, 2015 compared to $4.3 million for the same period in 2014, and was $20.9 million for the nine months ended September 30, 2015 compared to $15.0 million for the same period in 2014. Our effective tax rate for the three and nine months ended September 30, 2015 was 33.01% and 32.3%, respectively, compared to 23.3% and 28.6%, respectively, for the corresponding periods in 2014. The lower effective tax rates for the 2014 periods primarily relate to our recognition of a tax credit in connection with our financing of the rehabilitation of a historic building. Our primary permanent differences are related to tax exempt income on securities, state income tax benefit on real estate investment trust dividends, various qualifying tax credits, change in cash surrender value of bank-owned life insurance and incentive stock option expenses.

We own real estate investment trusts for the purpose of holding and managing participations in residential mortgages and commercial real estate loans originated by the Bank. The trusts are majority-owned subsidiaries of a trust holding company, which in turn is a wholly-owned subsidiary of the Bank. The trusts earn interest income on the loans they hold and incur operating expenses related to their activities. They pay their net earnings, in the form of dividends, to the Bank, which receives a deduction for state income taxes.

GAAP Reconciliation and Management Explanation of Non-GAAP Financial Measures

As discussed in more detail in the section titled “Non-interest Expense,” we recorded the following non-routine expenses during the comparative periods included in this quarterly report on Form 10-Q:

- $0.7 million during 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 Montgomery, Alabama markets;
- $1.8 million during the second quarter of 2014 resulting from an acceleration of vesting of stock options previously granted to members of our advisory boards in our Mobile, Alabama and Pensacola, Florida markets.

· $2.1 million of merger expense during the first quarter of 2015 resulting from our acquisition of Metro Bancshares, Inc.
· $0.5 million during the first quarter of 2015 resulting from the initial funding of a reserve for unfunded loan commitments consistent with guidance provided by the Federal Reserve Bank's Interagency Policy Statement SR 06-17.

The non-GAAP financial measures included in this quarterly report on Form 10-Q are "core net income," "core net income available to common stockholders," "core basic earnings per share," "core diluted earnings per share," "core return on average assets" and "core return on average common stockholders' equity." Each of these six core financial measures excludes the impact of the non-routine expenses attributable to the correction of our accounting for stock options and related acceleration of vesting of such stock options.

"Core net income" is defined as net income, adjusted by the net effect of the non-routine expense.

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

"Core diluted earnings per share" 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 of average common stockholders' equity" is defined as net income, adjusted by the net effect of the non-routine expense, divided by average common stockholders' equity.

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 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, including those in our industry, use. The following reconciliation table provides a more detailed analysis of the non-GAAP financial measures for the nine month periods ended September 30, 2015 and 2014. Dollars are in thousands, except share and per share data.

	For the Nine Months Ended September 30, 2015	For the Nine Months Ended September 30, 2014
Provision for income taxes - GAAP	$ 20,889	$ 14,965
Adjustments:		
Adjustment for non-routine expense	829	865
Core provision for income taxes	$ 21,718	$ 15,830
Return on average assets - GAAP	1.32%	1.37%
Net income - GAAP	$ 43,790	$ 37,345
Adjustments:		
Adjustment for non-routine expense	1,767	1,612
Core net income	$ 45,557	$ 38,957
Average assets	$ 4,430,226	$ 3,653,763
Core return on average assets	1.37%	1.43%
Return on average common stockholders' equity	14.40%	16.17%
Net income available to common stockholders - GAAP	$ 43,534	$ 37,029
Adjustments:		
Adjustment for non-routine expense	1,767	1,612
Core net income available to common stockholders	$ 45,301	$ 38,641
Average common stockholders' equity	$ 404,177	$ 306,144
Core return on average common stockholders' equity	14.99%	16.88%
Earnings per share - GAAP	$ 1.70	$ 1.57
Weighted average shares outstanding, diluted	25,636,690	23,539,218
Core diluted earnings per share	$ 1.77	$ 1.64
Diluted earnings per share - GAAP	$ 1.65	$ 1.51
Weighted average shares outstanding, diluted	26,391,100	24,598,250
Core diluted earnings per share	$ 1.72	$ 1.57

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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

The asset-liability committee thoroughly analyzes the maturities of rate-sensitive assets and liabilities. This analysis measures the “gap”, which is defined as the difference between the dollar amount of rate-sensitive assets repricing during a period and the volume of rate-sensitive liabilities repricing during the same period. The gap is also expressed as the ratio of rate-sensitive assets divided by rate-sensitive liabilities. If the ratio is greater than one, the dollar value of assets exceeds the dollar value of liabilities; the balance sheet is “asset-sensitive.” Conversely, if the value of liabilities exceeds the value of assets, the ratio is less than one and the balance sheet is “liability-sensitive.” Our internal policy requires management to maintain the gap such that net interest margins will not change more than 10% if interest rates change 100 basis points or more than 15% if interest rates change 200 basis points. There have been no changes to our policies or procedures for analyzing our interest rate risk since December 31, 2014, and there are no significant changes to our sensitivity to changes in interest rates since December 31, 2014 as disclosed in our Annual Report on Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES

CEO and CFO Certification.

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

Evaluation of Disclosure Controls and Procedures.

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

We conducted an evaluation (the "Evaluation") of the effectiveness of the design and operation of our disclosure controls and procedures under the supervision and with the participation of our management, including our CEO and CFO, as of September 30, 2015. Based upon the Evaluation, our CEO and CFO have concluded that, as of September 30, 2015, our disclosure controls and procedures are effective to ensure that material information relating to ServisFirst Bancshares, Inc. and its subsidiaries is made known to management, including the CEO and CFO, particularly during the period when our periodic reports are being prepared.

There have not been any changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time we may be a party to various legal proceedings arising in the ordinary course of business. We are not currently a party to any material legal proceedings except as disclosed in Item 3, "Legal Proceedings", in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014, and there has been no material change in any matter described therein.

ITEM 1A. RISK FACTORS

Our business is influenced by many factors that are difficult to predict, involve uncertainties that may materially affect actual results and are often beyond our control. We have identified a number of these risk factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014, which should be taken into consideration when reviewing the information contained in this report. There have been no material changes with regard to the risk factors previously disclosed in the Form 10-K. For other factors that may cause actual results to differ materially from those indicated in any forward-looking statement or projection contained in this report, see "Forward-Looking Statements" under Part 1, Item 2 above.

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

On May 13, 2014, the Company's registration statement on Form S-1 (File No. 333-193401), which related to the Company's initial public offering, was declared effective by the SEC. Under that registration statement, we registered and sold an aggregate of 1,875,000 shares of common stock at a price to the public of $30.333 per share, generating gross offering proceeds of approximately $56.9 million. The net proceeds of the sale of such shares, after underwriting commissions and offering expenses, were approximately $52.1 million. There has been no material change in the planned use of proceeds from the initial public offering as described in the final prospectus filed with the SEC on May 14, 2014 under Rule 424(b) of the Securities Act of 1933, as amended. We applied approximately $20.9 million of the proceeds from the initial public offering toward the acquisition of Metro Bank on January 31, 2015.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit:	Description
31.01	Certification of principal executive officer pursuant to Rule 13a-14(a).
31.02	Certification of principal financial officer pursuant to Rule 13a-14(a).
32.01	Certification of principal executive officer pursuant to 18 U.S.C. Section 1350.
32.02	Certification of principal financial officer pursuant to 18 U.S.C. Section 1350.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document

SIGNATURES

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

SERVISFIRST BANCSHARES, INC.

Date: November 3, 2015	By	/s/ Thomas A. Broughton III Thomas A. Broughton III President and Chief Executive Officer
Date: November 3, 2015	By	/s/ William M. Foshee William M. Foshee Chief Financial Officer

Exhibit 31.01

Section 302 Certification of the CEO

I, Thomas A. Broughton III, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of ServisFirst Bancshares, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and

(d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or person’s performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 3, 2015

/s/ Thomas A. Broughton III
Thomas A. Broughton III
President and Chief Executive Officer

A signed original of this written statement has been provided to the registrant and will be retained by the registrant and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 31.02

Section 302 Certification of the CFO

I, William M. Foshee, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of ServisFirst Bancshares, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and

(d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2015

/s/ William M. Foshee
William M. Foshee
Chief Financial Officer

A signed original of this written statement has been provided to the registrant and will be retained by the registrant and furnished to the Securities and Exchange Commission or its staff upon request

Exhibit 32.01

Section 906 Certification of the CEO

CERTIFICATION OF PERIODIC FINANCIAL REPORT
PURSUANT TO 18 U.S.C. SECTION 1350

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of ServisFirst Bancshares, Inc. (the "Company") certifies that, to his knowledge, the Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Date: November 3, 2015	/s/ Thomas A. Broughton III
	Thomas A. Broughton III
	President and Chief Executive Officer

A signed original of this written statement has been provided to the registrant and will be retained by the registrant and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.02

Section 906 Certification of the CFO

CERTIFICATION OF PERIODIC FINANCIAL REPORT
PURSUANT TO 18 U.S.C. SECTION 1350

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of ServisFirst Bancshares, Inc. (the “Company”) certifies that, to his knowledge, the Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2015, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Date: November 3, 2015

/s/ William M. Foshee
William M. Foshee
Chief Financial Officer

A signed original of this written statement has been provided to the registrant and will be retained by the registrant and furnished to the Securities and Exchange Commission or its staff upon request.