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

FORM 10-K/A

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

OR

☐ **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.)*
2500 Woodcrest Place, Birmingham, Alabama	**35209**
(Address of Principal Executive Offices)	*(Zip Code)*

(205) 949-0302
(Registrant's Telephone Number, Including Area Code)
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of exchange on which registered
Common stock, par value $.001 per share	SFBS	NASDAQ Global Select Market

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes ☐ No ☒

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

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

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

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

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

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

As of June 30, 2019, the aggregate market value of the voting common stock held by non-affiliates of the registrant, based on a stock price of $34.26 per share of Common Stock, was $1,581,146,000.

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

Class	Outstanding as of February 21, 2020
Common stock, $.001 par value	53,703,632

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement to be filed with the Securities and Exchange Commission in connection with its 2020 Annual Meeting of Stockholders are incorporated by reference into Part III of this annual report on Form 10-K.

EXPLANATORY NOTE

ServisFirst Bancshares, Inc., a Delaware corporation, together with its subsidiaries, including ServisFirst Bank, the “Company”, which may also be referred to as “we”, “our”, “us”, “ServisFirst Bancshares”, and “ServisFirst”, is filing this Amendment No. 1 to Annual Report on Form 10-K/A (the “Amendment”) to our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, which was filed with the Securities and Exchange Commission on February 25, 2020 (the “Original Filing”). The Company is filing this Amendment solely for the purpose of including in Part II, Item 8 of its Annual Report on Form 10-K for the fiscal year ended December 31, 2019 the Consolidated Statement of Cash Flows for the fiscal year ended December 31, 2017, which was inadvertently omitted from the Original Filing. This addition to the Consolidated Statements of Cash Flows does not affect Dixon Hughes Goodman LLP’s unqualified opinion on our consolidated financial statements included in the Original Form 10-K and this Amendment.

The Amendment includes the Consent of Independent Registered Public Accounting Firm in Exhibit 23 and updates Part IV, Item 15 of the Original Filing to include new certifications of our Chief Executive Officer and Chief Financial Officer as Exhibits 31.3, 31.4, 32.3 and 32.4.

Except as described above, no other changes have been made to the Original Filing. This Amendment does not reflect subsequent events that may have occurred after the original filing date of the Original Filing or modify or update in any way disclosures made in the Original Filing. Among other things, forward-looking statements made in the Original Filing have not been revised to reflect events that occurred or facts that became known to us after the filing of the Original Filing, and such forward-looking statements should be read in their historical context. Furthermore, this Amendment should be read in conjunction with the Original Filing and any other Company filings with the Securities and Exchange Commission made subsequent to the Original Filing.

PART II

ITEM 8. **FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

The financial statements and supplementary data required by Regulations S-X and by Item 302 of Regulation S-K are set forth in the pages listed below.

DHG

DIXON HUGHES GOODMAN LLP

Reportof Independent Registered Public Accounting Firm

To the shareholders and the board of directors of ServisFirst Bancshares, Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of ServisFirst Bancshares, Inc. and subsidiaries (the "Company") as of December 31, 2019 and 2018, the related consolidated statements of income, comprehensive income, stockholders’ equity and cash flows, for each of the three years in the period ended December 31, 2019, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 25, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

Allowance for Loan Losses

As described in Notes 1 and 3 to the financial statements, the Company’s allowance for loan losses (“allowance”) balance was $76.6 million on gross loans of $7.3 billion as of December 31, 2019, and consisted primarily of general reserves on loans collectively evaluated for impairment and specific reserves on loans individually evaluated for impairment. The amount of the allowance is based on management’s evaluation of the collectability of the loan portfolio and considers the nature of the loan portfolio, credit concentrations, trends in historical loss experience, specific impaired loans, current economic conditions, current asset quality trends and other risks inherent in the portfolio. As disclosed by management, this evaluation is inherently subjective as it requires material estimates. Allocation of the allowance is made for specific loans, but the entire allowance is available for any loan that in management’s judgment deteriorates and is uncollectible. The general reserve component of the allowance for loan losses is based on management’s judgment regarding various external and internal factors including macroeconomic trends, management’s assessment of the Company’s loan growth prospects, and evaluations of internal risk controls (collectively, “qualitative factors”). The determination of these qualitative factors is management’s evaluation of potential future losses that would arise should their assumptions materialize.

We have determined that the allowance is a critical audit matter. The principal considerations for our determination of the allowance as a critical audit matter is the subjectivity of the assumptions that management utilized in determining and applying the qualitative factors in the allowance model. Furthermore, certain inputs and assumptions lack observable data and therefore, applying audit procedures required a higher degree of auditor judgment and subjectivity due to the nature and extent of audit evidence and effort required to address this matter.

The primary audit procedures we performed to address this critical audit matter included:

- We evaluated the design and tested the operating effectiveness of key controls relating to the Company’s allowance, including controls over the credit monitoring function related to loan performance, the determination of qualitative factors, and the precision of management’s review and approval of the allowance model and resulting estimate.

- We evaluated the reasonableness of management’s estimates and judgments related to the qualitative factors and the resulting allocation to the allowance. This included evaluating the appropriateness of the methodologies used by management to estimate the qualitative factor components of the allowance, including evaluating the appropriateness and completeness of risk factors used in determining the qualitative factors.

- To test the reasonableness of the qualitative factors, we compared information utilized by management to internal and external evidence and assessed the appropriateness of data utilized by management in developing the assumptions, including the consideration of potentially new or contradictory information.

- We also analyzed the qualitative factors over a historical period in comparison to changes in the Company’s loan portfolio and the economy and evaluated the appropriateness and level of the qualitative factor allowances.

- We performed analytical procedures on the overall level and various components of the allowance, including historical reserves, qualitative reserves and specific reserves, as well as credit quality to ensure movement in a directionally consistent manner relative to credit quality indicators and changes in the Company’s loan portfolio and the economy.

/s/ Dixon Hughes Goodman LLP

We have served as the Company's auditor since 2014.

Atlanta, Georgia
February 25, 2020

Report **of Independent Registered Public Accounting Firm**

To the Board of Directors and Stockholders
ServisFirst Bancshares, Inc.

Opinion on Internal Control Over Financial Reporting

We have audited ServisFirst Bancshares, Inc. and subsidiaries’ internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal*

Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, ServisFirst Bancshares, Inc. and subsidiaries (the "Company") maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated financial statements of ServisFirst Bancshares, Inc. as of December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, and our report dated February 25, 2020, expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Dixon Hughes Goodman LLP

Atlanta, Georgia
February 25, 2020

SERVISFIRSTBANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)

	December 31, 2019	December 31, 2018
ASSETS		
Cash and due from banks	$ 78,618	$ 97,516
Interest-bearing balances due from depository institutions	451,509	360,534
Federal funds sold	100,473	223,845
Cash and cash equivalents	630,600	681,895
Available for sale debt securities, at fair value	759,399	590,184
Held to maturity debt securities (fair value of $250 at December 31, 2019)	250	-
Mortgage loans held for sale	6,312	120
Loans	7,261,451	6,533,499
Less allowance for loan losses	(76,584)	(68,600)
Loans, net	7,184,867	6,464,899
Premises and equipment, net	56,496	57,822
Accrued interest and dividends receivable	26,262	24,070
Deferred tax asset, net	25,566	27,277
Other real estate owned and repossessed assets	8,178	5,169
Bank owned life insurance contracts	209,395	130,649
Goodwill and other identifiable intangible assets	14,179	14,449
Other assets	26,149	10,848
Total assets	$ 8,947,653	$ 8,007,382
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Non-interest-bearing demand	$ 1,749,879	$ 1,557,341
Interest-bearing	5,780,554	5,358,367
Total deposits	7,530,433	6,915,708
Federal funds purchased	470,749	288,725
Other borrowings	64,703	64,666
Accrued interest and dividends payable	11,934	10,381
Other liabilities	27,152	12,699

Total liabilities	8,104,971	7,292,179
Stockholders' equity:		
Preferred stock, par value $0.001 per share; 1,000,000 authorized and undesignated at December 31, 2019 and December 31, 2018	-	-
Common stock, par value $0.001 per share; 100,000,000 shares authorized; 53,623,740 shares issued and outstanding at December 31, 2019, and 53,375,195 shares issued and outstanding at December 31, 2018	54	53
Additional paid-in capital	219,766	218,521
Retained earnings	616,611	500,868
Accumulated other comprehensive income (loss)	5,749	(4,741)
Total stockholders' equity attributable to ServisFirst Bancshares, Inc.	842,180	714,701
Noncontrolling interest	502	502
Total stockholders' equity	842,682	715,203
Total liabilities and stockholders' equity	$ 8,947,653	$ 8,007,382

See Notes to Consolidated Financial Statements.

SERVISFIRSTBANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share amounts)

	YEAR ENDED DECEMBER 31,		
	2019	2018	2017
Interest income:			
Interest and fees on loans	$ 354,308	$ 305,370	$ 246,682
Taxable securities	17,008	12,654	9,117
Nontaxable securities	1,429	2,406	2,948
Federal funds sold	6,038	3,103	1,693
Other interest and dividends	12,020	3,094	2,316
Total interest income	390,803	326,627	262,756
Interest expense:			
Deposits	90,958	55,502	28,831
Borrowed funds	12,200	8,446	6,502
Total interest expense	103,158	63,948	35,333
Net interest income	287,645	262,679	227,423
Provision for loan losses	22,638	21,402	23,225
Net interest income after provision for loan losses	265,007	241,277	204,198
Noninterest income:			
Service charges on deposit accounts	7,029	6,547	5,702
Mortgage banking	4,361	2,784	3,835
Credit card income	7,076	5,550	3,594
Securities gains	27	190	-
Increase in cash surrender value life insurance	3,746	3,130	3,131
Other operating income	1,743	1,239	1,099
Total noninterest income	23,982	19,440	17,361
Noninterest expenses:			
Salaries and employee benefits	57,783	51,849	47,604
Equipment and occupancy expense	9,272	8,423	8,018
Professional services	4,235	3,646	3,217
FDIC and other regulatory assessments	2,975	3,869	3,918
Other real estate owned expense	415	790	323
Other operating expenses	27,448	23,298	21,129
Total noninterest expenses	102,128	91,875	84,209
Income before income taxes	186,861	168,842	137,350
Provision for income taxes	37,618	31,902	44,258
Net income	149,243	136,940	93,092
Dividends on preferred stock	63	63	62
Net income available to common stockholders	$ 149,180	$ 136,877	$ 93,030
Basic earnings per common share	$ 2.79	$ 2.57	$ 1.76
Diluted earnings per common share	$ 2.76	$ 2.53	$ 1.72

See Notes to Consolidated Financial Statements.

SERVISFIRSTBANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

	YEAR ENDED DECEMBER 31,		
	2019	2018	2017
Net income	$ 149,243	$ 136,940	$ 93,092
Other comprehensive income (loss), net of tax:			
Unrealized net holding gains (losses) arising during period from securities available for sale, net of tax of $2,788, $(1,205) and $(362) for 2019, 2018 and 2017, respectively	10,511	(4,531)	(674)
Reduction in unrealized loss related to held to maturity debt securities transferred to available for sale, net of tax of $592	-	-	1,100

	2019	2018	2017
Reclassification adjustment for net gains on sale of securities available for sale, net of tax of $6 and $3 for 2019 and 2018, respectively	(21)	(12)	-
Other comprehensive income (loss), net of tax	10,490	(4,543)	426
Comprehensive income	$ 159,733	$ 132,397	$ 93,518

See Notes to Consolidated Financial Statements.

SERVISFIRSTBANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(In thousands, except share amounts)
YEAR ENDED DECEMBER 31,

	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Noncontrolling Interest	Total Stockholders' Equity
Balance, January 1, 2017	$ -	$ 53	$ 215,932	$ 307,151	$ (624)	$ 377	$ 522,889
Common dividends paid, $0.15 per share	-	-	-	(7,935)	-	-	(7,935)
Common dividends declared, $0.05 per share	-	-	-	(2,649)	-	-	(2,649)
Preferred dividends paid	-	-	-	(62)	-	-	(62)
Issue 385,500 shares of common stock upon exercise of stock options	-	-	1,911	-	-	-	1,911
35,010 shares of common stock withheld in net settlement upon exercise of stock options	-	-	(1,320)	-	-	-	(1,320)
Issue 125 shares of REIT preferred stock	-	-	-	-	-	125	125
Stock-based compensation expense	-	-	1,170	-	-	-	1,170
Other comprehensive income, net of tax	-	-	-	-	383	-	383
Reclassification of the disproportionate tax effect of enactment of the Tax Cuts and Jobs Act of 2017	-	-	-	(43)	43	-	-
Net income	-	-	-	93,092	-	-	93,092
Balance, December 31, 2017	$ -	$ 53	$ 217,693	$ 389,554	$ (198)	$ 502	$ 607,604
Common dividends paid, $0.33 per share	-	-	-	(17,545)	-	-	(17,545)
Common dividends declared, $0.15 per share	-	-	-	(8,018)	-	-	(8,018)
Preferred dividends paid	-	-	-	(63)	-	-	(63)
Issue 353,259 shares of common stock upon exercise of stock options	-	-	2,337	-	-	-	2,337
61,077 shares of common stock withheld in net settlement upon exercise of stock options	-	-	(2,360)	-	-	-	(2,360)
Stock-based compensation expense	-	-	851	-	-	-	851
Other comprehensive loss, net of tax	-	-	-	-	(4,543)	-	(4,543)
Net income	-	-	-	136,940	-	-	136,940
Balance, December 31, 2018	$ -	$ 53	$ 218,521	$ 500,868	$ (4,741)	$ 502	$ 715,203
Common dividends paid, $0.45 per share	-	-	-	(24,053)	-	-	(24,053)
Common dividends declared, $0.175 per share	-	-	-	(9,384)	-	-	(9,384)
Preferred dividends paid	-	-	-	(63)	-	-	(63)
Issue 228,381 shares of common stock upon exercise of stock options	-	1	2,122	-	-	-	2,123
60,419 shares of common stock withheld in net settlement upon exercise of stock options	-	-	(1,977)	-	-	-	(1,977)
Stock-based compensation expense	-	-	1,100	-	-	-	1,100
Other comprehensive income, net of tax	-	-	-	-	10,490	-	10,490
Net income	-	-	-	149,243	-	-	149,243
Balance, December 31, 2019	$ -	$ 54	$ 219,766	$ 616,611	$ 5,749	$ 502	$ 842,682

See Notes to Consolidated Financial Statements.

SERVISFIRSTBANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,		
	2019	2018	2017
OPERATING ACTIVITIES			
Net income	$ 149,243	$ 136,940	$ 93,092

Adjustments to reconcile net income to net cash provided by			
Deferred tax expense (benefit)	(1,077)	(14,255)	14,048
Provision for loan losses	22,638	21,402	23,225
Depreciation	3,682	3,378	2,568
Accretion on acquired loans	(90)	(163)	(464)
Amortization of core deposit intangible	270	270	277
Net amortization of debt securities available for sale	3,095	2,843	4,019
Increase in accrued interest and dividends receivable	(2,192)	(3,409)	(4,860)
Stock-based compensation expense	1,100	851	1,170
Increase in accrued interest payable	1,553	5,410	570
Proceeds from sale of mortgage loans held for sale	135,359	106,806	136,259
Originations of mortgage loans held for sale	(137,190)	(99,683)	(132,208)
Net gain on sale of debt securities available for sale	(27)	(15)	-
Gain on sale of equity securities	-	(175)	-
Gain on sale of mortgage loans held for sale	(4,361)	(2,784)	(3,835)
Net (gain) loss on sale of other real estate owned and repossessed assets	(122)	21	(33)
Write down of other real estate owned and repossessed assets	287	664	23
Operating losses of tax credit partnerships	8	163	79
Increase in cash surrender value of life insurance contracts	(3,746)	(3,130)	(3,131)
Net change in other assets, liabilities, and other operating activities	(4,155)	13,167	(12,335)
Net cash provided by operating activities	164,275	168,301	118,464
INVESTMENT ACTIVITIES			
Purchase of debt securities available for sale	(293,832)	(156,815)	(83,004)
Proceeds from maturities, calls and paydowns of debt securities available for sale	97,732	91,787	84,637
Proceeds from sale of debt securities available for sale	38,453	5,736	3,500
Purchase of debt securities held to maturity	(250)	-	(66,002)
Purchase of equity securities	-	-	(10)
Proceeds from sale of equity securities	-	304	-
Proceeds from maturities, calls and paydowns of debt securities held to maturity	-	250	6,227
Purchase of BOLI contracts	(75,000)	-	(10,000)
Increase in loans	(754,533)	(696,701)	(957,975)
Purchase of premises and equipment	(2,356)	(2,300)	(21,154)
Expenditures to complete construction of other real estate owned	-	(7)	-
Proceeds from sale of other real estate owned and repossessed assets	1,437	3,272	1,533
Net cash used in investing activities	(988,349)	(754,474)	(1,042,248)
FINANCING ACTIVITIES			
Net increase in non-interest-bearing deposits	192,538	117,015	158,721
Net increase in interest-bearing deposits	422,187	707,019	512,642
Net increase (decrease) in federal funds purchased	182,024	(13,072)	(54,147)
Proceeds from issuance of 4.5% Subordinated Notes due November 8, 2027, net of issuance cost	-	-	29,943
Repayment of 5.5% Subordinated Notes due November 9, 2022	-	-	(20,000)
Repayment of Federal Home Loan Bank advances	-	(200)	(400)
Proceeds from sale of preferred stock, net	-	-	125
Proceeds from exercise of stock options	2,123	2,337	1,911
Taxes paid in net settlement of tax obligation upon exercise of stock options	(1,977)	(2,360)	(1,320)
Dividends paid on common stock	(24,053)	(20,194)	(10,040)
Dividends paid on preferred stock	(63)	(63)	(62)
Net cash provided by financing activities	772,779	790,482	617,373
Net (decrease) increase in cash and cash equivalents	(51,295)	204,309	(306,411)
Cash and cash equivalents at beginning of period	681,895	477,586	783,997
Cash and cash equivalents at end of period	$ 630,600	$ 681,895	$ 477,586
SUPPLEMENTAL DISCLOSURE			
Cash paid for:			
Interest	$ 101,605	$ 58,538	$ 34,763
Income taxes	42,232	30,547	42,586
Income tax refund	(86)	(2)	(492)
NONCASH TRANSACTIONS			
Other real estate acquired in settlement of loans	$ 4,611	$ 3,080	$ 4,685
Internally financed sale of other real estate owned	-	662	1,449
Dividends declared	9,384	8,018	2,649

See Notes to Consolidated Financial Statements.

SERVISFIRSTBANCSHARES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

ServisFirst Bancshares, Inc. (the “Company”) was formed onAugust 16, 2007 and is a bank holding company whose business is conducted by its wholly owned subsidiary ServisFirst Bank (the “Bank”). The Bank is headquartered in Birmingham, Alabama, and has provided a full range of banking services to individual and corporate customers throughout the Birmingham market since opening for business in May 2005. The Bank has since expanded into the Huntsville, Montgomery, Dothan and Mobile, Alabama, Pensacola, Sarasota and Tampa Bay, Florida, Atlanta, Georgia, Charleston, South Carolina and Nashville, Tennessee markets. The Bank owns all of the stock of SF Intermediate Holding Company, Inc., which, in turn, owns all of the stock of SF Holding 1, Inc., which, in turn, owns all of the common stock of the Company’s real estate investment trusts, SF Realty 1, Inc., SF FLA Realty, Inc., SF GA Realty, Inc. and SF TN Realty, Inc. More details about SF Intermediate Holding Company, Inc. and its subsidiaries are included in Note 11.

Reclassification

Certain amounts reported in prior years have been reclassified to conform to the current year's presentation. These reclassifications hadno effect on the Company's results of operations, financial position, or net cash flow.

Basis of Presentation and Accounting Estimates

To prepare consolidated financial statements in conformity with U.S. generally accepted accounting principles, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided, and future results could differ. The allowance for loan losses, valuation of foreclosed real estate, goodwill and other intangible assets and fair values of financial instruments are particularly subject to change. All numbers are in thousands except share and per share data.

Cash, Due from Banks, Interest-Bearing Balances due from Financial Institutions

Cash and due from banks includes cash on hand, cash items in process of collection, amounts due from banks and interest bearing balances due from financial institutions. For purposes of cash flows, cash and cash equivalents include cash and due from banks and federal funds sold. Generally, federal funds are purchased and sold for one-day periods. Cash flows from loans, mortgage loans held for sale, federal funds sold, and deposits are reported net.

The Bank is required to maintain reserve balances in cash or on deposit with the Federal Reserve Bank based on a percentage of deposits. The total of those reserve balances was approximately $33.9 million at December 31, 2019 and $51.0 million at December 31, 2018.

Debt Securities

Securities are classified as available-for-sale when they might be sold before maturity. Unrealized holding gains and losses, net of tax, on securities available for sale are reported as a net amount in a separate component of stockholders' equity until realized. Gains and losses on the sale of securities available for sale are determined using the specific-identification method. The amortization of premiums and the accretion of discounts are recognized in interest income using methods approximating the interest method over the period to maturity.

Declines in the fair value of available-for-sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses. Securities are classified as held-to-maturity when the Company has the positive intent and ability to hold the securities to maturity. Held-to-maturity securities are reported at amortized cost. In determining the existence of other-than-temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

Mortgage Loans Held for Sale

The Company classifies certain residential mortgage loans as held for sale. Typically, mortgage loans held for sale are sold to a third-party investor within a very short time period. The loans are sold without recourse and servicing is not retained. Net fees earned from this banking service are recorded in noninterest income.

In the course of originating mortgage loans and selling those loans in the secondary market, the Company makes various representations and warranties to the purchaser of the mortgage loans. Each loan is underwritten using government agency guidelines. Any exceptions noted during this process are remedied prior to sale. These representations and warranties also apply to underwriting the real estate appraisal opinion of value for the collateral securing these loans. Under the representations and warranties, failure by the Company to comply with the underwriting and/or appraisal standards could result in the Company being required to repurchase the mortgage loan or to reimburse the investor for losses incurred (make whole requests) if such failure cannot be cured by the Company within the specified period following discovery. The Company continues to experience an insignificant level of investor repurchase demands. There were no expenses incurred as part of these buyback obligations for the years ended December 31, 2019 and 2018.

Loans

Loans are reported at unpaid principal balances, less unearned fees and the allowance for loan losses. Interest on all loans is recognized as income based upon the applicable rate applied to the daily outstanding principal balance of the loans. Interest income on nonaccrual loans is recognized on a cash basis or cost recovery basis until the loan is returned to accrual status. A loan may be returned to accrual status if the Company is reasonably assured of repayment of principal and interest and the borrower has demonstrated sustained performance for a period of at least six months. Loan fees, net of direct costs, are reflected as an adjustment to the yield of the related loan over the term of the loan. The Company does not have a concentration of loans to any one industry.

The accrual of interest on loans is discontinued when there is a significant deterioration in the financial condition of the borrower and full repayment of principal and interest is not expected or the principal or interest is more than 90 days past due, unless the loan is both well-collateralized and in the process of collection. Generally, all interest accrued but not collected for loans that are placed on nonaccrual status are reversed against current interest income. Interest collections on nonaccrual loans are generally applied as principal reductions. The Company determines past due or delinquency status of a loan based on contractual payment terms.

A loan is considered impaired when it is probable the Company will be unable to collect all principal and interest payments due according to the contractual terms of the loan agreement. Individually identified impaired loans are measured based on the present value of expected payments using the loan's original effective rate as the discount rate, the loan's observable market price, or the fair value of the collateral if the loan is collateral dependent. If the recorded investment in the impaired loan exceeds the measure of fair value, a valuation allowance may be established as part of the allowance for loan losses. Changes to the valuation allowance are recorded as a component of the provision for loan losses.

Impaired loans also include troubled debt restructurings ("TDRs"). In the normal course of business management grants concessions to borrowers, which would not otherwise be considered, where the borrowers are experiencing financial difficulty. The concessions granted most frequently for TDRs involve reductions or delays in required payments of principal and interest for a specified time, the rescheduling of payments in accordance with a bankruptcy plan or the charge-off of a portion of the loan. In some cases, the conditions of the credit also warrant nonaccrual status, even after the restructure occurs. As part of the credit approval process, the restructured loans are evaluated for adequate collateral protection in determining the appropriate accrual status at the time of restructure. TDR loans may be returned to accrual status if there has been at least a six-month sustained period of repayment performance by the borrower.

Acquired loans are recorded at fair value at the date of acquisition and accordingly, no allowance for loan losses is transferred to the acquiring entity in connection with acquisition accounting. The fair values of loans with evidence of credit deterioration (purchased, credit impaired loans) are initially recorded at fair value, but thereafter accounted for differently than purchased, non-credit impaired loans. For purchased credit impaired loans, cash flows are estimated at Day 1 and discounted at a market interest rate which creates accretable yield to be recognized over the life of the loan. Contractual principal and interest payments not expected to be collected are considered non-accretable difference. Subsequent to the acquisition date, management continues to monitor cash flows on a quarterly basis, to determine the performance of each purchased credit impaired loan in comparison to management's initial performance expectations.

Subsequent decreases to the expected cash flows will generally result in a provision for loan losses. Subsequent significant increases in cash flows result in a reversal of the provision for loan losses to the extent of prior provisions or a reclassification of amount from non-accretable difference to accretable yield, with a positive impact on the accretion of interest income in future periods.

Acquired performing loans are accounted for using the contractual cash flows method of recognizing discount accretion based on the acquired loans' contractual cash flows. Acquired performing loans are recorded as of the acquisition date at fair value, considering credit and other risks, with no separate allowance for loan losses account. Credit losses on the acquired performing loans are estimated in future periods based on analysis of the performing portfolio. A provision for loan losses is recognized for any further credit deterioration that occurs in these loans subsequent to the acquisition date. Fair value discounts on Day 1 are accreted as interest income over the life of the loans.

Allowance for Loan Losses

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.

Foreclosed Real Estate

Foreclosed real estate includes both formally foreclosed property and in-substance foreclosed property. At the time of foreclosure, foreclosed real estate is recorded at fair value less cost to sell, which becomes the property's new basis. Any write downs based on the asset's fair value at date of acquisition are charged to the allowance for loan losses. After foreclosure, these assets are carried at the lower of their new cost basis or fair value less cost to sell. Costs incurred in maintaining foreclosed real estate and subsequent adjustments to the carrying amount of the property are included in other operating expenses.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation. Expenditures for additions and major improvements that significantly extend the useful lives of the assets are capitalized. Expenditures for repairs and maintenance are charged to expense as incurred. Assets which are disposed of are removed from the accounts and the resulting gains or losses are recorded in operations. Depreciation is calculated on a straight-line basis over the estimated useful lives of the related assets (3 to 39.5 years).

Leasehold improvements are amortized on a straight-line basis over the lesser of the lease terms or the estimated useful lives of the improvements.

Leases

The Company leases certain office space and equipment under operating leases. Accounting Standards Update 2016-02, "*Leases (Topic* 842*)*" requires that operating leases in effect as of date of adoption, January 1, 2019 for the Company, be recognized as a liability to make lease payments and as an asset representing the right to use the asset during the lease term, or "lease liability" and "right-of-use asset", respectively. The lease liability is measured by the present value of remaining lease payments, discounted at the Company's incremental borrowing rate. The Company reports its right-of-use assets in other assets and its lease liabilities in other liabilities.

Certain of the leases include one or more renewal options that extend the initial lease term1 to 5 years. The exercise of lease renewal options is typically at the Company's sole discretion; therefore, a majority of renewals to extend lease terms are not included in the right-of-use assets and lease liabilities as they arenot reasonably certain to be exercised. Renewal options are regularly evaluated and when they are reasonably certain to be exercised, are included in lease terms.

None of the Company's leases provide an implicit rate. The Company uses its incremental collateralized borrowing rate based on the information available at the lease commencement date in determining the present value of the lease payments.

The Company has made an accounting policy election tonot apply the recognition requirements in ASU 2016-02 to short-term leases. The Company has also elected to use the practical expedients allowed by the new standard as follows: 1) forego an assessment of whether any existing contracts are or contain leases, 2) forego an assessment of the classification of existing leases as to whether they are operating leases or capital leases, and 3) forego an assessment of direct costs for any existing leases.

Goodwill and Other Identifiable Intangible Assets

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

The Company has recorded $13.6 million of goodwill at December 31, 2019 in connection with the acquisition of Metro Bancshares, Inc. in 2015. 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.

Derivatives and Hedging Activities

As part of its overall interest rate risk management, the Company uses derivative instruments, which can include interest rate swaps, caps, and floors. Financial Accounting Standards Board ("FASB") ASC 815-10, Derivatives and Hedging, requires all derivative instruments to be carried at fair value on the balance sheet. This accounting standard provides special accounting provisions for derivative instruments that qualify for hedge accounting. To be eligible, the Company must specifically identify a derivative as a hedging instrument and identify the risk being hedged. The derivative instrument must be shown to meet specific requirements under this accounting standard.

The Company designates the derivative on the date the derivative contract is entered into as (1) a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment (a "fair-value" hedge) or (2) a hedge of a forecasted transaction of the variability of cash flows to be received or paid related to a recognized asset or liability (a "cash-flow" hedge). Changes in the fair value of a derivative that is highly effective as a fair-value hedge, and that is designated and qualifies as a fair-value hedge, along with the loss or gain on the hedged asset or liability that is attributable to the hedged risk (including losses or gains on firm commitments), are recorded in current-period earnings. The effective portion of the changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a cash-flow hedge is recorded in other comprehensive income, until earnings are affected by the variability of cash flows (e.g., when periodic settlements on a variable-rate asset or liability are recorded in earnings). The remaining gain or loss on the derivative, if any, in excess of the cumulative change in the present value of future cash flows of the hedged item is recognized in earnings.

The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are designated as fair-value or cash-flow hedges to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions. The Company also formally assessed, both at the hedge's inception and on an ongoing basis (if the hedges do not qualify for short-cut accounting), whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. When it is determined that a derivative is not highly effective as a hedge or that it has ceased to be a highly effective hedge, the Company discontinues hedge accounting prospectively, as discussed below. The Company discontinues hedge accounting prospectively when: (1) it is determined that the derivative is no longer effective in offsetting changes in the fair value or cash flows of a hedged item (including firm commitments or forecasted transactions); (2) the derivative expires or is sold, terminated, or exercised; (3) the derivative is re-designated as a hedge instrument, because it is unlikely that a forecasted transaction will occur; (4) a hedged firm commitment no longer meets the definition of a firm commitment; or (5) management determines that designation of the derivative as a hedge instrument is no longer appropriate.

When hedge accounting is discontinued because it is determined that the derivative no longer qualifies as an effective fair-value hedge, hedge accounting is discontinued prospectively and the derivative will continue to be carried on the balance sheet at its fair value with all changes in fair value being recorded in earnings but with no offsetting being recorded on the hedged item or in other comprehensive income for cash flow hedges.

The Company uses derivatives to hedge interest rate exposures associated with mortgage loans held for sale and mortgage loans in process. The Company regularly enters into derivative financial instruments in the form of forward contracts, as part of its normal asset/liability management strategies. The Company's obligations under forward contracts consist of "best effort" commitments to deliver mortgage loans originated in the secondary market at a future date. Interest rate lock commitments related to loans that are originated for later sale are classified as derivatives. In the normal course of business, the Company regularly extends these rate lock commitments to customers during the loan origination process. The fair values of the Company's forward contract and rate lock commitments to customers as of December 31, 2019 and 2018 were not material and have not been recorded.

Revenue Recognition

Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers ("ASC 606")*, provides guidance for reporting revenue from the entity's contracts to provide goods or services to customers. The guidance requires recognition of revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those goods or services recognized as performance obligations are satisfied.

The majority of revenue-generating transactions are excluded from the scope of ASC 606, including revenue generated from financial instruments, such as securities and loans. Revenue-generating transactions that are within the scope of ASC 606, classified within non-interest income, are described as follows:

- Deposit account service charges – represent service fees for monthly activity and maintenance on customer accounts. Attributes can be transaction-based, item-based or time-based. Revenue is recognized when our performance obligation is completed which is generally monthly for maintenance services or when a transaction is processed. Payment for such performance obligations are generally received at the time the performance obligations are satisfied.

- Credit card rewards program membership fees – represent memberships in our credit card rewards program and are paid annually by our cardholders at the time they open an account and on each anniversary. Revenue is recognized ratably over the membership period.

Other non-interest income primarily includes income on bank owned life insurance contracts, letter of credit fees and gains on sale of loans held for sale, none of which are within the scope of ASC 606.

Income Taxes

Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and tax bases of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized.

The Company follows the provisions of ASC 740-10, *Income Taxes.* ASC 740-10 establishes a single model to address accounting for uncertain tax positions. ASC 740-10 clarifies the accounting for income taxes by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. ASC 740-10 also provides guidance on derecognition measurement classification interest and penalties, accounting in interim periods, disclosure, and transition. ASC 740-10 provides a two-step process in the evaluation of a tax position. The first step is recognition. A Company determines whether it is more likely than not that a tax position will be sustained upon examination, including a resolution of any related appeals or litigation processes, based upon the technical merits of the position. The second step is measurement. A tax position that meets the more likely than not recognition threshold is measured at the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement.

Stock-Based Compensation

At December 31, 2019, the Company had a stock-based compensation plan for grants of equity compensation to key employees and directors. The plan has been accounted for under the provisions of FASB ASC 718-10, Compensation – Stock Compensation with respect to employee stock options and under the provisions of FASB ASC 505-50, Equity-Based Payments to Non-Employees, with respect to non-employee stock options. Specifically, awards to employees are accounted for using the fair value-based method of accounting. Stock compensation costs are recognized prospectively for all new awards granted under the stock-based compensation plans. Compensation expense related to share options is calculated using a method that is based on the underlying assumptions of the Black-Scholes-Merton option pricing model and is charged to expense over the requisite service period (e.g. vesting period). Compensation expense related to restricted stock awards is based upon the fair value of the awards on the date of grant and is charged to earnings over the requisite service period of the award.

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.

Loan Commitments and Related Financial Instruments

Financial instruments, which include credit card arrangements, commitments to make loans and standby letters of credit, are issued to meet customer financing needs. The face amount for these items represents the exposure to loss before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded. Instruments such as stand-by letters of credit are considered financial guarantees in accordance with FASB ASC 460-10. The fair value of these financial guarantees is not material.

Fair Value of Financial Instruments

Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in Note 21. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect the estimates.

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income. Accumulated comprehensive income, which is recognized as a separate component of equity, includes unrealized gains and losses on securities available for sale.

Advertising

Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2019, 2018 and 2017 was $581,000, $557,000 and $716,000, respectively. Advertising typically consists of local print media aimed at businesses that the Company targets as well as sponsorships of local events in which the Company's clients and prospects are involved.

Recently Adopted Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic* 842*)*. The FASB issued this ASU to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet by lessees for those leases classified as operating leases under current U.S. GAAP and disclosing key information about leasing arrangements. The amendments in this ASU are effective for public business entities for annual periods and interim periods within those annual periods beginning after December 15, 2018. Early application of this ASU is permitted for all entities. The Company adopted the amendments in this ASU by applying the alternative transition method allowing comparative periods to not be restated and any cumulative effect adjustment to the opening balance of retained earnings to be recognized as of January 1, 2019. The Company elected the three practical expedients allowed by the amendments as follows: 1) forego an assessment of whether any existing contracts are or contain leases, 2) forego an assessment of the classification of existing leases as to whether they are operating leases or capital leases, and 3) forego an assessment of direct costs for any existing leases. Upon adoption on January 1, 2019 the Company recorded a right-of-use asset of approximately $15.3 million and lease liability of approximately $15.3 million. See Note 6 – Leases.

In March 2017, the FASB issued ASU 2017-08, *Receivables – Nonrefundable Fees and Other Costs (Subtopic* 310-20*), Premium Amortization on Purchased Callable Debt Securities.* The amendments shorten the amortization period for certain callable debt securities held at a premium. Specifically, the amendments require the premium to be amortized to the earliest call date. The amendments do not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. The amendments in this ASU were effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption was permitted. The amendments were to be applied on a modified retrospective basis, with a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. The amendments in this ASU did not impact the Company's Consolidated Financial Statements, as it has always amortized premiums to the first call date.

In June 2018, the FASB issued ASU 2018-07, *Compensation – Stock Compensation (Topic* 718*), Improvements to Nonemployee Share-Based Payment Accounting.* These amendments expand the scope of Topic 718, Compensation - Stock Compensation, which previously only included share-based payments to employees, to include share-based payments issued to nonemployees for goods or services. Consequently, the accounting for share-based payments to nonemployees and employees will be substantially aligned. The ASU supersedes Subtopic 505-50, Equity – Equity-Based Payments to Non-Employees. The amendments in this ASU were effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption was permitted, but no earlier than a company's adoption date of Topic 606, Revenue from Contracts with Customers. The Company adopted this ASU effective January 1, 2019; however, the amendments did not have an impact on the Company's Consolidated Financial Statements because it does not have any unvested stock-based payment awards currently outstanding to nonemployees.

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which is essentially the final rule on use of the so-called CECL model, or current expected credit losses. Among other things, the amendments in this ASU require the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. The Company will adopt this guidance as of January 1, 2020. Transition to the new ASU will be through a cumulative-effect adjustment to beginning retained earnings, net of income taxes, as of January 1, 2020.

The Company's CECL implementation team includes leadership from Accounting, Credit Administration and Risk Management. This group has worked closely with a third-party software solution vendor providing expertise in CECL modeling techniques to develop new expected credit loss estimation models. Loans with similar risk characteristics will be collectively evaluated in pools and, depending on the nature of each identified pool, the Company is currently planning to implement a discounted cash flow ("DCF"), probability of default / loss given default ("PD/LGD") or remaining life method. The historical loss experience estimate by pool will then be adjusted by forecast factors that can be quantitatively related to the Company's historical credit loss experience, such as national unemployment rates and gross domestic product. The Company plans to utilize a stable macroeconomic environment forecast over a one year reasonable and supportable forecast period. After the forecast period, the Company will revert to longer term average historical loss experience to estimate losses over the remaining life. The Company will also include qualitative factor adjustments, as appropriate, to account for potential limitations in the model and to fully reflect the Company's expectations of current conditions pertinent to its loan portfolio.

Credit losses for loans that no longer share similar risk characteristics will be estimated on an individual basis. Individual evaluations will typically be performed for nonaccrual loans, loans rated substandard, and modified loans classified as troubled debt restructurings. Specific allowances will be estimated based on one of several methods, including the estimated fair value of the underlying collateral, observable market value of similar debt or the present value of expected cash flows.

The estimation methodology for credit losses on lending-related commitments will be similar to the process for estimating credit losses for loans, with the addition of a probability of draw estimate that will be applied to each commitment amount.

Based upon the nature and characteristics of our securities portfolios at the adoption date, the macroeconomic conditions and forecasts at that date, and other management judgments, the Company does not currently expect to record any allowance for credit losses on available for sale securities.

CECL parallel comparisons were performed and enhanced throughout 2019, with limited comparisons completed for the second and third quarters and a more complete parallel run for the fourth quarter. Based on the fourth quarter parallel run and the prevailing economic conditions and forecasts as of the adoption date, the Company is currently estimating a decrease in the allowance for loan losses under CECL by approximately 1% to 5%. The estimated decrease in the allowance at adoption is the result of implementing a more quantitative methodology along with the loan portfolio consisting primarily of commercial loans with generally short contractual maturities which more than offsets any increases in the consumer loan portfolios with generally longer maturities.

The Company will continue to enhance key implementation initiatives during the first quarter of 2020, including documentation and analytics, policies and procedures, and end-to-end process controls. The adoption of ASU 2016-13 is not expected to have a significant impact on our regulatory capital ratios.

In July 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement.* This ASU eliminates, adds and modifies certain disclosure requirements for fair value measurements. Among the changes, entities will no longer be required to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, however, entities will be required to disclose the range and weighted average used to develop significant unobservable inputs for Level 3 fair value measurements. ASU No. 2018-13 is effective for interim and annual reporting periods beginning after December 15, 2019; early adoption is permitted. Entities are also allowed to elect early adoption of the eliminated or modified disclosure requirements and delay adoption of the new disclosure requirements until their effective date. As ASU No. 2018-13 only revises disclosure requirements, it will not have a material impact on the Company's Consolidated Financial Statements.

NOTE 2. DEBT SECURITIES

The amortized cost and fair values of available-for-sale and held-to-maturity debt securities at December 31, 2019 and 2018 are summarized as follows:

	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Market Value
December 31, 2019		(In Thousands)		
Securities Available for Sale				
U.S. Treasury Securities	$ 48,923	$ 291	$ (4)	$ 49,210
Government Agency Securities	18,245	143	(2)	18,386
Mortgage-backed securities	470,513	4,859	(1,318)	474,054
State and municipal securities	56,951	335	(14)	57,272
Corporate debt	157,549	3,098	(170)	160,477
Total	$ 752,181	$ 8,726	$ (1,508)	$ 759,399
Debt Securities Held to Maturity				
State and municipal securities	250	-	-	250
Total	$ 250	$ -	$ -	$ 250
December 31, 2018				
Securities Available for Sale				
U.S Treasury Securities	$ 58,750	$ 75	$ (397)	$ 58,428
Government Agency Securities	18,784	3	(222)	18,565
Mortgage-backed securities	309,244	591	(5,531)	304,304
State and municipal securities	106,465	208	(679)	105,994
Corporate debt	102,982	668	(757)	102,893
Total	$ 596,225	$ 1,545	$ (7,586)	$ 590,184
Securities Held to Maturity				
State and municipal securities	-	-	-	-
Total	$ -	$ -	$ -	$ -

All mortgage-backed debt 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.

At year-end 2019 and 2018, there were no holdings of debt securities of any issuer, other than the U.S. government and its agencies, in an amount greater than10% of stockholders' equity.

The amortized cost and fair value of debt securities as ofDecember 31, 2019 and 2018 by contractual maturity are shown below. Actual maturities may differ from contractual maturities because the issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	December 31, 2019		December 31, 2018	
	Amortized Cost	Market Value	Amortized Cost	Market Value
	(In Thousands)			
Debt securities available for sale				
Due within one year	$ 58,722	$ 58,975	$ 38,343	$ 38,225
Due from one to five years	90,034	91,005	167,873	166,380
Due from five to ten years	129,501	131,914	77,811	78,276
Due after ten years	3,411	3,451	2,954	2,999
Mortgage-backed securities	470,513	474,054	309,244	304,304
	$ 752,181	$ 759,399	$ 596,225	$ 590,184
Debt securities held to maturity				
Due from one to five years	$ 250	$ 250	$ -	$ -
	$ 250	$ 250	$ -	$ -

The following table shows the gross unrealized losses and fair value of debt securities, aggregated by category and length of time that securities have been in a continuous unrealized loss position at December 31, 2019 and 2018. In estimating other-than-temporary impairment losses, management considers, among other things, the length of time and the extent to which the fair value has been less than cost, the financial condition and near-term prospects of the issuer and the intent and ability of the Company to hold the security for a period of time sufficient to allow for any anticipated recovery in fair value. The unrealized losses shown in the following table are primarily due to increases in market rates over the yields available at the time of purchase of the underlying securities and not credit quality. Because 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 basis, which may be maturity, the Company does not consider these securities to be other-than-temporarily impaired at December 31, 2019. There were no other-than-temporary impairments for the years ended December 31, 2019, 2018 and 2017.

	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)					
December 31, 2019						
U.S. Treasury Securities	$ (4)	$ 3,012	$ -	$ -	$ (4)	$ 3,012
Government Agency Securities	(2)	266	-	-	(2)	266
Mortgage-backed securities	(1,206)	153,330	(112)	24,911	(1,318)	178,241
State and municipal securities	(4)	1,900	(10)	2,647	(14)	4,547
Corporate debt	(170)	19,981	-	-	(170)	19,981
Total	$ (1,386)	$ 178,489	$ (122)	$ 27,558	$ (1,508)	$ 206,047
December 31, 2018						
U.S. Treasury Securities	$ (8)	$ 1,001	$ (388)	$ 32,449	$ (397)	$ 34,206
Government Agency Securities	-	-	(223)	18,429	(222)	17,673
Mortgage-backed securities	(539)	67,721	(4,992)	204,260	(5,531)	271,981
State and municipal securities	(101)	20,821	(578)	52,190	(679)	73,011
Corporate debt	(315)	36,245	(442)	13,474	(757)	49,718
Total	$ (963)	$ 125,788	$ (6,623)	$ 320,802	$ (7,586)	$ 446,590

At December 31, 2019, 35 of the Company's 650 debt securities were in an unrealized loss position for more than 12 months.

The following table summarizes information about sales of debt securities available for sale.

	Years Ended December 31,		
	2019	2018	2017
	(In Thousands)		
Sale proceeds	$ 38,453	$ 5,736	$ 3,500
Gross realized gains	$ 27	$ 15	$ -
Gross realized losses	-	-	-
Net realized gain (loss)	$ 27	$ 15	$ -

The carrying value of debt securities pledged to secure public funds on deposits and for other purposes as required by law as of December 31, 2019 and 2018 was $389.9 million and $291.6 million, respectively.

NOTE 3. LOANS

The composition of loans at December 31, 2019 and 2018 is summarized as follows:

	December 31,	
	2019	2018
	(In Thousands)	
Commercial, financial and agricultural	$ 2,696,210	$ 2,513,225
Real estate - construction	521,392	533,192
Real estate - mortgage:		
Owner-occupied commercial	1,587,478	1,463,887
1-4 family mortgage	644,188	621,634
Other mortgage	1,747,394	1,337,068
Total real estate - mortgage	3,979,060	3,422,589
Consumer	64,789	64,493
Total Loans	7,261,451	6,533,499
Less: Allowance for loan losses	(76,584)	(68,600)
Net Loans	$ 7,184,867	$ 6,464,899

Changes in the allowance for loan losses during the years endedDecember 31, 2019, 2018 and 2017, respectively are as follows:

	Years Ended December 31,		
	2019	2018	2017
		(In Thousands)	
Balance, beginning of year	$ 68,600	$ 59,406	$ 51,893
Loans charged off	(22,489)	(12,753)	(16,332)
Recoveries	429	545	620
Allocation from LGP	7,406	-	-
Provision for loan losses	22,638	21,402	23,225
Balance, end of year	$ 76,584	$ 68,600	$ 59,406

The Company assesses the adequacy of its allowance for loan losses at the end of each calendar quarter. The level of the allowance is based on management's evaluation of the loan portfolios, past loan loss experience, current asset quality trends, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay (including the timing of future payment), the estimated value of any underlying collateral, composition of the loan portfolio, economic conditions, industry and peer bank loan quality indications and other pertinent factors, including regulatory recommendations. The process is inherently subjective and subject to significant change as it requires material estimates. Loans that are specifically impaired include estimates regarding the amounts and timing of future cash flows expected to be received. Loan losses are charged off when management believes that the full collectability of the loan is unlikely. A loan may be partially charged-off after a "confirming event" has occurred which serves to validate that full repayment pursuant to the terms of the loan is unlikely. Allocation of the allowance is made for specific loans, but the entire allowance is available for any loan that in management's judgment deteriorates and is uncollectible. The portion of the reserve classified as qualitative factors, is management's evaluation of potential future losses that would arise in the loan portfolio should management's assumption about qualitative and environmental conditions materialize. This qualitative factor portion of the allowance for loan losses is based on management's judgment regarding various external and internal factors including macroeconomic trends, management's assessment of the Company's loan growth prospects, and evaluations of internal risk controls. Inherent risks in the loan portfolio will differ based on type of loan. Specific risk characteristics by loan portfolio segment are listed below:

Commercial and industrial loans include risks associated with borrower's cash flow, debt service coverage and management's expertise. These loans are subject to the risk that the Company may have difficulty converting collateral to a liquid asset if necessary, as well as risks associated with degree of specialization, mobility and general collectability in a default situation. These commercial loans may be subject to many different types of risks, including fraud, bankruptcy, economic downturn, deteriorated or non-existent collateral, and changes in interest rates.

Real estate construction loans include risks associated with the borrower's credit-worthiness, contractor's qualifications, borrower and contractor performance, and the overall risk and complexity of the proposed project. Construction lending is also subject to risks associated with sub-market dynamics, including population, employment trends and household income. During times of economic stress, this type of loan has typically had a greater degree of risk than other loan types.

Real estate mortgage loans consist of loans secured by commercial and residential real estate. Commercial real estate lending is dependent upon successful management, marketing and expense supervision necessary to maintain the property. Repayment of these loans may be adversely affected by conditions in the real estate market or the general economy. Also, commercial real estate loans typically involve relatively large loan balances to a single borrower. Residential real estate lending risks are generally less significant than those of other loans. Real estate lending risks include fluctuations in the value of real estate, bankruptcies, economic downturn and customer financial problems.

Consumer loans carry a moderate degree of risk compared to other loans. They are generally more risky than traditional residential real estate loans but less risky than commercial loans. Risk of default is usually determined by the well-being of the local economies. During times of economic stress, there is usually some level of job loss both nationally and locally, which directly affects the ability of the consumer to repay debt.

During the third quarter of 2019, the Company recorded a $7.4 million payment resulting from the termination of a Loan Guarantee Program ("LGP") operated by the State of Alabama. The payment was recorded as an increase to the allowance for loan losses specifically related to loans formerly enrolled in this program, in accordance with the Company's established ALLL review and evaluation criteria. In general, loans enrolled in the program had a collateral shortfall or other enhanced credit risk. In return for the Company's acceptance of these higher risk loans, the Company received a guarantee of up to 50% of losses in the event of a borrower's default. These were loans that would have otherwise not met the Company's loan underwriting criteria. The program required a1% fee on the commitment balance at origination. As of December 31, 2019, the Company had 71 loans outstanding totaling $42.2 million that were formerly enrolled in the loan guarantee program. Of this total, $37.0 million were categorized as pass within the Company's credit quality asset classification, $5.2 million were categorized as Special Mention.

The following table presents an analysis of the allowance for loan losses by portfolio segment as ofDecember 31, 2019 and 2018. The total allowance for loan losses is disaggregated into those amounts associated with loans individually evaluated and those associated with loans collectively evaluated.

Changes in the allowance for loan losses, segregated by loan type, during the years endedDecember 31, 2019 and 2018, respectively, are as follows:

	Commercial, financial and agricultural	Real estate - construction	Real estate - mortgage	Consumer	Total
	(In Thousands)				
	Year Ended December 31, 2019				
Allowance for loan losses:					
Balance at December 31, 2018	$ 39,016	$ 3,522	$ 25,508	$ 554	$ 68,600
Charge-offs	(15,015)	-	(6,882)	(592)	(22,489)
Recoveries	306	3	13	107	429
Allocation from LGP	4,905	115	2,386	-	7,406
Provision	14,454	(872)	8,628	428	22,638
Balance at December 31, 2019	$ 43,666	$ 2,768	$ 29,653	$ 497	$ 76,584
	December 31, 2019				
Individually Evaluated for Impairment	$ 6,085	$ 86	$ 3,633	$ -	$ 9,804
Collectively Evaluated for Impairment	37,581	2,682	26,020	497	66,780
Loans:					
Ending Balance	$ 2,696,210	$ 521,392	$ 3,979,060	$ 64,789	$ 7,261,451
Individually Evaluated for Impairment	20,843	4,320	17,985	-	43,148
Collectively Evaluated for Impairment	2,675,367	517,072	3,961,075	64,789	7,218,303
	Year Ended December 31, 2018				
Allowance for loan losses:					
Balance at December 31, 2017	$ 32,880	$ 4,989	$ 21,022	$ 515	$ 59,406
Charge-offs	(11,428)	-	(1,042)	(283)	(12,753)
Recoveries	349	112	46	38	545
Provision	17,215	(1,579)	5,482	284	21,402
Balance at December 31, 2018	$ 39,016	$ 3,522	$ 25,508	$ 554	$ 68,600
	December 31, 2018				
Individually Evaluated for Impairment	$ 6,066	$ 126	$ 1,887	$ 49	$ 8,128
Collectively Evaluated for Impairment	32,950	3,396	23,621	505	60,472
Loans:					
Ending Balance	$ 2,513,225	$ 533,192	$ 3,422,589	$ 64,493	$ 6,533,499
Individually Evaluated for Impairment	18,444	1,461	18,637	49	38,591
Collectively Evaluated for Impairment	2,494,781	531,731	3,403,952	64,444	6,494,908

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 presently 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 December 31, 2019 and 2018 were as follows:

December 31, 2019	Pass	Special Mention	Substandard	Doubtful	Total
			(In Thousands)		
Commercial, financial and agricultural	$ 2,629,487	$ 46,176	$ 20,547	$ -	$ 2,696,210
Real estate - construction	512,373	4,731	4,288	-	521,392
Real estate - mortgage:					
Owner-occupied commercial	1,555,283	18,240	13,955	-	1,587,478
1-4 family mortgage	639,959	2,787	1,442	-	644,188
Other mortgage	1,735,869	10,018	1,507	-	1,747,394
Total real estate - mortgage	3,931,111	31,045	16,904	-	3,979,060
Consumer	64,789	-	-	-	64,789
Total	$ 7,137,760	$ 81,952	$ 41,739	$ -	$ 7,261,451

December 31, 2018	Pass	Special Mention	Substandard	Doubtful	Total
			(In Thousands)		
Commercial, financial and agricultural	$ 2,447,052	$ 47,754	$ 18,419	$ -	$ 2,513,225
Real estate - construction	525,021	6,749	1,422	-	533,192
Real estate - mortgage:					
Owner-occupied commercial	1,431,982	28,547	3,358	-	1,463,887
1-4 family mortgage	616,884	2,703	2,047	-	621,634
Other mortgage	1,309,101	16,506	11,461	-	1,337,068
Total real estate - mortgage	3,357,967	47,756	16,866	-	3,422,589
Consumer	64,444	-	49	-	64,493
Total	$ 6,394,484	$ 102,259	$ 36,756	$ -	$ 6,533,499

Nonperforming loans include nonaccrual loans and loans 90 or more days past due and still accruing. Loans by performance status as of December 31, 2019 and 2018 are as follows:

December 31, 2019	Performing	Nonperforming	Total
		(In Thousands)	
Commercial, financial and agricultural	$ 2,681,280	$ 14,930	$ 2,696,210
Real estate - construction	519,804	1,588	521,392
Real estate - mortgage:			
Owner-occupied commercial	1,576,652	10,826	1,587,478
1-4 family mortgage	641,875	2,313	644,188
Other mortgage	1,740,963	6,431	1,747,394
Total real estate - mortgage	3,959,490	19,570	3,979,060
Consumer	64,766	23	64,789
Total	$ 7,225,339	$ 36,112	$ 7,261,451

December 31, 2018	Performing	Nonperforming	Total
		(In Thousands)	
Commercial, financial and agricultural	$ 2,502,117	$ 11,108	$ 2,513,225
Real estate - construction	532,195	997	533,192
Real estate - mortgage:			
Owner-occupied commercial	1,460,529	3,358	1,463,887
1-4 family mortgage	619,465	2,169	621,634
Other mortgage	1,327,038	10,030	1,337,068
Total real estate - mortgage	3,407,032	15,557	3,422,589
Consumer	64,385	108	64,493
Total	$ 6,505,729	$ 27,770	$ 6,533,499

Loans by past due status as of December 31, 2019 and 2018 are as follows:

December 31, 2019	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	$ 3,135	$ 344	$ 201	$ 3,680	$ 14,729	$ 2,677,801	$ 2,696,210
Real estate - construction	830	-	-	830	1,588	518,974	521,392
Real estate - mortgage:							
Owner-occupied commercial	917	7,242	-	8,159	10,826	1,568,493	1,587,478
1-4 family mortgage	1,638	567	873	3,078	1,440	639,670	644,188
Other mortgage	-	-	4,924	4,924	1,507	1,740,963	1,747,394
Total real estate - mortgage	2,555	7,809	5,797	16,161	13,773	3,949,126	3,979,060
Consumer	35	25	23	83	-	64,706	64,789
Total	$ 6,555	$ 8,178	$ 6,021	$ 20,754	$ 30,091	$ 7,210,606	$ 7,261,451

December 31, 2018	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	$ 1,222	$ 48	$ 605	$ 1,875	$ 10,503	$ 2,500,847	$ 2,513,225
Real estate - construction	-	1,352	-	1,352	997	530,843	533,192
Real estate - mortgage:							
Owner-occupied commercial	412	-	-	412	3,358	1,460,117	1,463,887
1-4 family mortgage	534	235	123	892	2,046	618,696	621,634
Other mortgage	1,174	-	5,008	6,182	5,022	1,325,864	1,337,068
Total real estate - mortgage	2,120	235	5,131	7,486	10,426	3,404,677	3,422,589
Consumer	58	123	108	289	-	64,204	64,493
Total	$ 3,400	$ 1,758	$ 5,844	$ 11,002	$ 21,926	$ 6,500,571	$ 6,533,499

Fair value estimates for specifically impaired 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 state-certified 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 to ensure they are acceptable, and values are adjusted down for costs associated with asset disposal. Once this estimated net realizable value has been determined, the value used in the impairment assessment is updated. As subsequent events dictate and estimated net realizable values decline, required reserves may be established or further adjustments recorded.

The following table presents details of the Company's impaired loans as of December 31, 2019 and 2018, respectively. Loans which have been fully charged off do not appear in the tables.

December 31, 2019

	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	$ 9,015	$ 10,563	$ -	$ 11,284	$ 562
Real estate - construction	2,731	2,735	-	2,063	126
Real estate - mortgage:					
Owner-occupied commercial	7,150	7,246	-	7,548	618
1-4 family mortgage	287	287	-	289	2
Other mortgage	-	-	-	-	-
Total real estate - mortgage	7,437	7,533	-	7,837	620
Consumer	-	-	-	-	-
Total with no allowance recorded	19,183	20,831	-	21,184	1,308
With an allowance recorded:					
Commercial, financial and agricultural	11,828	19,307	6,085	19,714	395
Real estate - construction	1,589	1,589	86	1,614	27
Real estate - mortgage:					
Owner-occupied commercial	7,888	11,028	2,456	13,627	301
1-4 family mortgage	1,153	1,153	176	1,157	1
Other mortgage	1,507	1,507	1,001	1,468	21
Total real estate - mortgage	10,548	13,688	3,633	16,252	323
Consumer	-	-	-	-	-
Total with allowance recorded	23,965	34,584	9,804	37,580	745
Total Impaired Loans:					
Commercial, financial and agricultural	20,843	29,870	6,085	30,998	957
Real estate - construction	4,320	4,324	86	3,677	153
Real estate - mortgage:					
Owner-occupied commercial	15,038	18,274	2,456	21,175	919
1-4 family mortgage	1,440	1,440	176	1,446	3
Other mortgage	1,507	1,507	1,001	1,468	21
Total real estate - mortgage	17,985	21,221	3,633	24,089	943
Consumer	-	-	-	-	-
Total impaired loans	$ 43,148	$ 55,415	$ 9,804	$ 58,764	$ 2,053

December 31, 2018	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	$ 6,064	$ 6,064	$ -	$ 6,142	$ 237
Real estate - construction	464	467	-	524	28
Real estate - mortgage:					
Owner-occupied commercial	1,763	1,947	-	2,223	120
1-4 family mortgage	1,071	1,071	-	1,088	21
Other mortgage	5,061	5,061	-	5,133	252
Total real estate - mortgage	7,895	8,079	-	8,444	393
Consumer	-	-	-	-	-
Total with no allowance recorded	14,423	14,610	-	15,110	658
With an allowance recorded:					
Commercial, financial and agricultural	12,380	20,141	6,066	15,918	462
Real estate - construction	997	997	126	997	31
Real estate - mortgage:					
Owner-occupied commercial	3,358	3,358	99	3,364	105
1-4 family mortgage	975	975	208	975	30
Other mortgage	6,409	6,409	1,580	6,598	217
Total real estate - mortgage	10,742	10,742	1,887	10,937	352
Consumer	49	49	49	49	3
Total with allowance recorded	24,168	31,929	8,128	27,901	848
Total Impaired Loans:					
Commercial, financial and agricultural	18,444	26,205	6,066	22,060	699
Real estate - construction	1,461	1,464	126	1,521	59
Real estate - mortgage:					
Owner-occupied commercial	5,121	5,305	99	5,587	225
1-4 family mortgage	2,046	2,046	208	2,063	51
Other mortgage	11,470	11,470	1,580	11,731	469
Total real estate - mortgage	18,637	18,821	1,887	19,381	745
Consumer	49	49	49	49	3
Total impaired loans	$ 38,591	$ 46,539	$ 8,128	$ 43,011	$ 1,506

Troubled Debt Restructurings ("TDR") at December 31, 2019 and 2018 totaled $3.4 million and $14.6 million, respectively. The Company had a related allowance for loan losses of $0.9 million and $4.3 million allocated to these TDRs at December 31, 2019 and 2018, respectively. One commercial loan totaling $0.3 million was classified as a TDR due to an interest rate concession during 2019. The remaining TDRs for the years ended December 31, 2019 and 2018 have resulted from term extensions. The following tables present loans modified in a TDR during the periods presented by portfolio segment and the financial impact of those modifications. The tables include modifications made to new TDRs, as well as renewals of existing TDRs.

	Year Ended December 31, 2019		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
		(In Thousands)	
Troubled Debt Restructurings			
Commercial, financial and agricultural	3	$ 3,415	$ 3,415
Real estate - construction	-	-	-
Real estate - mortgage:			
Owner-occupied commercial	-	-	-
1-4 family mortgage	-	-	-
Other mortgage	-	-	-
Total real estate - mortgage	-	-	-
Consumer	-	-	-
	3	$ 3,415	$ 3,415

	Year ended December 31, 2018		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial, financial and agricultural	6	$ 7,242	$ 7,242
Real estate - construction	1	997	997
Real estate - mortgage:			
Owner-occupied commercial	2	3,664	3,664
1-4 family mortgage	1	850	850
Other mortgage	-	-	-
Total real estate - mortgage	3	4,514	4,514
Consumer	-	-	-
	10	$ 12,753	$ 12,753

The following table presents TDRs by portfolio segment which defaulted during the years ended December 31, 2019 and 2018, 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.

	Year Ended December 31, 2019	2018
Defaulted during the period, where modified in a TDR twelve months prior to default		
Commercial, financial and agricultural	$ 491	$ 6,900
Real estate - construction	-	997
Real estate - mortgage:		
Owner occupied commercial	726	3,664
1-4 family mortgage	-	850
Other mortgage	-	-
Total real estate - mortgage	726	4,514
Consumer	-	-
	$ 1,217	$ 12,411

In the ordinary course of business, the Company has granted loans to certain related parties, including directors, and their affiliates. The interest rates on these loans were substantially the same as rates prevailing at the time of the transaction and repayment terms are customary for the type of loan. Changes in related party loans for the years ended December 31, 2019 and 2018 are as follows:

	Years Ended December 31, 2019	2018
	(In Thousands)	
Balance, beginning of year	$ 5,428	$ 8,440
Additions	17,794	4,174
Advances	4,861	3,657
Repayments	(3,400)	(10,843)
Removal	(2)	-
Balance, end of year	$ 24,681	$ 5,428

NOTE 4. FORECLOSED PROPERTIES

Other real estate and certain other assets acquired in foreclosure are carried at the lower of the recorded investment in the loan or fair value less estimated costs to sell the property.

An analysis of foreclosed properties for the years ended December 31, 2019, 2018 and 2017 follows:

	2019	2018	2017
		(In Thousands)	
Balance at beginning of year	$ 5,169	$ 6,701	$ 4,988
Transfers from loans and capitalized expenses	4,611	3,087	4,685
Foreclosed properties sold	(1,437)	(3,934)	(2,982)
Write downs and partial liquidations	(165)	(685)	10
Balance at end of year	$ 8,178	$ 5,169	$ 6,701

NOTE 5. PREMISES AND EQUIPMENT

Premises and equipment are summarized as follows:

	December 31, 2019	2018
	(In Thousands)	
Land	$ 5,830	$ 5,489
Building	36,365	36,337
Furniture and equipment	26,153	24,774
Leasehold improvements	10,681	10,190

Construction in progress	23	200
Total premises and equipment, cost	79,052	76,990
Accumulated depreciation	(22,556)	(19,168)
Total premises and equipment, net	$ 56,496	$ 57,822

The provisions for depreciation charged to occupancy and equipment expense for the years ended December 31, 2019, 2018 and 2017 were $3.7 million, $3.4 million and $2.6 million, respectively.

NOTE 6. LEASES

The Company leases space under non-cancelable operating leases for several of its banking offices and certain office equipment. The Company reports its right-of-use asset in other assets and its lease liabilities in other liabilities in its Consolidated Balance Sheet.

Supplemental balance sheet information related to operating leases is as follows:

	December 31, 2019
Right-of-use assets	$ 13,292
Lease liabilities	$ 13,350
Weighted average remaining lease term	5.5
Weighted average discount rate	3.18%

Lease costs during the year ended December 31, 2019 were as follows (in thousands):

	2019
Operating lease cost	$ 3,421
Short-term lease cost	65
Variable lease cost	154
Sublease income	(70)
Net lease cost	$ 3,570

Maturities of operating lease liabilities as of December 31, 2019 are as follows:

		(In Thousands)
2020	$	3,005
2021		2,383
2022		2,425
2023		2,024
2024		1,074
Thereafter		2,439
Total	$	13,350

NOTE 7. VARIABLE INTEREST ENTITIES (VIEs)

The Company utilizes special purpose entities (SPEs) that constitute investments in limited partnerships that undertake certain development projects to achieve federal and state tax credits. These SPEs are typically structured as VIEs and are thus subject to consolidation by the reporting enterprise that absorbs the majority of the economic risks and rewards of the VIE. To determine whether it must consolidate a VIE, the Company analyzes the design of the VIE to identify the sources of variability within the VIE, including an assessment of the nature of risks created by the assets and other contractual obligations of the VIE, and determines whether it will absorb a majority of that variability.

The Company has invested in limited partnerships as a funding investor. The partnerships are single purpose entities that lend money to real estate investors for the purpose of acquiring and operating, or rehabbing, commercial property. The investments qualify for New Market Tax Credits under Internal Revenue Code Section 45D, as amended, or Historic Rehabilitation Tax Credits under Code Section 47, as amended, or Low-Income Housing Tax Credits under Code Section 42, as amended. For each of the partnerships, the Company acts strictly in a limited partner capacity. The Company has determined that it is not the primary beneficiary of these partnerships because it does not have the power to direct the activities of the entity that most significantly impact the entities' economic performance and therefore the partnerships are not consolidated in our financial statements. The amount of recorded investment in these partnerships as of December 31, 2019 and 2018 was $16.6 million and $18.9 million, respectively, of which $12.1 million and $12.8 million as of December 31, 2019 and 2018, respectively, are included in loans of the Company. The remaining amounts are included in other assets.

NOTE 8. DEPOSITS

Deposits at December 31, 2019 and 2018 were as follows:

	December 31,			
	2019		2018	
	(In Thousands)			
Noninterest-bearing demand	$	1,749,879	$	1,557,341
Interest-bearing checking		4,986,193		4,624,909
Savings		65,808		53,880
Time deposits, $250,000 and under		267,221		257,925
Time deposits, over $250,000		461,332		421,653
Total	$	7,530,433	$	6,915,708

The scheduled maturities of time deposits at December 31, 2019 were as follows:

		(In Thousands)
2020	$	415,448
2021		172,030
2022		57,820
2023		58,812
2024		24,443
Total	$	728,553

At December 31, 2019 and 2018, overdraft deposits reclassified to loans were $4.2 million and $10.9 million, respectively.

NOTE 9. FEDERAL FUNDS PURCHASED

At December 31, 2019, the Company had $385.7 million in federal funds purchased from its correspondent banks that are clients of its correspondent banking unit, compared to $288.7 million at December 31, 2018. Rates paid on these funds were between 1.60% and 1.67% as of December 31, 2019 and 2.50% and 2.65% as of December 31, 2018.

At December 31, 2019, the Company had available lines of credit totaling approximately $767.0 million with various financial institutions for borrowing on a short-term basis, compared to $562.0 million at December 31, 2018. At December 31, 2019, the Company had $85.0 million in outstanding borrowings from these lines. The rate paid on this borrowing was 1.61%. The borrowing was paid off on January 2, 2020.

NOTE 10. OTHER BORROWINGS

Other borrowings are comprised of:

- $34.75 million of the Company's 5% Subordinated Notes due July 15, 2025, which were issued in a private placement in July 2015 and pay interest semi-annually. The Notes may not be prepaid by the Company prior to July 15, 2020.
- $30.0 million on the Company's 4.5% Subordinated Notes due November 8, 2027, which were issued in a private placement in November 2017 and pay interest semi-annually. The Notes may not be prepaid by the Company prior to November 8, 2022.

Debt is reported net of unamortized issuance costs of $47,000 and $84,000 as of December 31, 2019 and 2018, respectively.

NOTE 11. SF INTERMEDIATE HOLDING COMPANY, INC., SF HOLDING 1, INC., SF REALTY 1, INC., SF FLA REALTY, INC., SF GA REALTY, INC. AND SF TN REALTY, INC.

In January 2012, the Company formed SF Holding 1, Inc., an Alabama corporation, and its subsidiary, SF Realty 1, Inc., an Alabama corporation. In September 2013, the Company formed SF FLA Realty, Inc., an Alabama corporation and a subsidiary of SF Holding 1, Inc. In May 2014, the Company formed SF GA Realty, Inc., an Alabama corporation and a subsidiary of SF Holding 1, Inc. In February 2016, the Company formed SF TN Realty, Inc., an Alabama corporation and a subsidiary of SF Holding 1, Inc. Also in February 2016, the Company formed SF Intermediate Holding Company, Inc., an Alabama corporation. Immediately following the formation of SF Intermediate Holding Company, Inc., ServisFirst Bank assigned all of the outstanding capital stock of SF Holding 1, Inc. to SF Intermediate Holding Company, Inc., such that SF Holding 1, Inc. now is a wholly-owned first tier subsidiary of SF Intermediate Holding Company, Inc. SF Realty 1, SF FLA Realty, SF GA Realty and SF TN Realty all hold and manage participations in residential mortgages and commercial real estate loans originated by ServisFirst Bank and have elected to be treated as real estate investment trusts ("REIT") for U.S. income tax purposes. SF Intermediate Holding Company, Inc., SF Holding 1, Inc., SF Realty 1, Inc., SF FLA Realty, Inc., SF GA Realty, Inc. and SF TN Realty, Inc. are all consolidated into the Company.

NOTE 12. 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 December 31, 2019 and December 31, 2018 were not material.

NOTE 13. EMPLOYEE AND DIRECTOR BENEFITS

The Company has a stock incentive plan, which is described below. The compensation cost that has been charged against income for the plan was approximately $1,100,000, $851,000 and $1,170,000 for the years ended December 31, 2019, 2018 and 2017, respectively.

Stock Incentive Plan

On March 23, 2009, the Company's board of directors adopted the 2009 Stock Incentive Plan (the "Plan"), which was effective upon approval by the stockholders at the 2009 Annual Meeting of Stockholders. The 2009 Plan originally permitted the grant of up to 2,550,000 shares of common stock. However, upon stockholder approval during 2014, the Plan was amended in order to allow the Company to grant stock options for up to 5,550,000 shares of common stock. The Plan authorizes the grant of stock appreciation rights, restricted stock, incentive stock options, non-qualified stock options, non-stock share equivalents, performance shares or performance units and other equity-based awards. Option awards are generally granted with an exercise price equal to the estimated fair market value of the Company's stock at the date of grant.

As of December 31, 2019, there are a total of 3,202,060 shares available to be granted under the Plan.

Stock-based compensation expense for stock-based compensation awards granted is based on the grant-date fair value. For stock option awards, the fair value is estimated at the date of grant using the Black-Scholes-Merton valuation model. This model requires the input of highly subjective assumptions, changes to which can materially affect the fair value estimate. The fair value of each option granted is estimated on the date of grant using the Black-Scholes-Merton model based on the weighted-average assumptions for expected dividend yield, expected stock price volatility, risk-free interest rate and expected life of options granted.

The assumptions used in determining the fair value of 2019, 2018 and 2017 stock option grants were as follows:

	2019	2018	2017
Expected price volatility	40.00%	35.39%	29.00%
Expected dividend yield	1.76%	1.24%	0.44%
Expected term (in years)	7	6	6
Risk-free rate	1.96%	2.90%	2.08%

The weighted average grant-date fair value of options granted during the years ended December 31, 2019, 2018 and 2017 was $12.40, $12.76 and $11.82, respectively.

The following tables summarize stock option activity:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (In Thousands)
Year Ended December 31, 2019:				
Outstanding at beginning of year	1,238,748	$ 13.02	5.2	$ 23,355
Granted	35,500	34.06	9.6	129
Exercised	(288,800)	7.56	2.5	8,534
Forfeited	(20,200)	24.88	6.2	259
Outstanding at end of year	965,248	$ 15.19	4.9	$ 21,911
Exercisable at December 31, 2019:	278,500	$ 8.28	3.0	$ 8,355
Year Ended December 31, 2018:				
Outstanding at beginning of year	1,666,834	$ 10.68	5.5	$ 51,377
Granted	42,250	37.21	9.6	-
Exercised	(414,336)	5.73	2.8	10,832
Forfeited	(56,000)	15.40	6.2	912
Outstanding at end of year	1,238,748	$ 13.02	5.2	$ 23,355
Exercisable at December 31, 2018:	510,100	$ 7.08	3.5	$ 12,645
Year Ended December 31, 2017:				
Outstanding at beginning of year	2,026,334	$ 9.00	6.2	$ 57,636
Granted	58,000	37.59	9.1	227
Exercised	(385,500)	4.96	4.0	14,087
Forfeited	(32,000)	21.96	8.1	625
Outstanding at end of year	1,666,834	$ 10.68	5.5	$ 51,377
Exercisable at December 31, 2017:	808,236	$ 5.22	3.9	$ 29,321

Exercisable options at December 31, 2019 were as follows:

Range of Exercise Price		Shares		Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)		Aggregate Intrinsic Value (In Thousands)
$	4.17	5,500	$	4.17	1.0	$	199
	5.00	79,500		5.00	2.1		3,022
	5.50	80,000		5.50	2.2		2,362
	6.92	37,500		6.92	4.0		1,154
	15.25	50,000		15.25	5.0		1,121
	18.57	26,000		18.57	3.5		497
		278,500	$	8.28	3.0	$	8,355

As of December 31, 2019, there was $1.3 million of total unrecognized compensation cost related to non-vested stock options. As ofDecember 31, 2019, non-vested stock options had a weighted average remaining time to vest of 1.3 years.

Restricted Stock

The Company periodically grants restricted stock awards that vest upon service conditions. Dividend payments are made during the vesting period.

The following table summarizes restricted stock activity:

	Shares		Weighted Average Grant Date Fair Value
Year Ended December 31, 2019:			
Non-vested at beginning of year	42,576	$	29.96
Granted	35,164		33.61
Vested	(5,450)		20.92
Forfeited	(2,500)		38.17
Non-vested at end of year	69,790	$	32.21
Year Ended December 31, 2018:			
Non-vested at beginning of year	120,676	$	10.29
Granted	16,350		39.84
Vested	(93,200)		6.07
Forfeited	(1,250)		41.21
Non-vested at end of year	42,576	$	29.96
Year Ended December 31, 2017:			
Non-vested at beginning of year	118,676	$	8.88
Granted	7,000		38.02
Vested	(5,000)		15.74
Non-vested at end of year	120,676	$	10.29

The value of restricted stock 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 December 31, 2019, there was $1.4 million of total unrecognized compensation cost related to non-vested restricted stock. As ofDecember 31, 2019, non-vested restricted stock had a weighted average remaining time to vest of2.5 years.

Retirement Plans

The Company has a retirement savings 401(k) and profit-sharing plan in which all employees age 21 and older may participate after completion of one year of service. For employees in service with the Company at June 15, 2005, the length of service and age requirements were waived. The Company matches employees' contributions based on a percentage of salary contributed by participants and may make additional discretionary profit-sharing contributions. The Company's expense for the plan was $1.7 million, $1.5 million and $1.4 million for 2019, 2018 and 2017, respectively.

NOTE 14. REGULATORY MATTERS

The Bank is subject to dividend restrictions set forth in the Alabama Banking Code and by the Alabama State Banking Department. Under such restrictions, the Bank may not, without the prior approval of the Alabama State Banking Department, declare dividends in excess of the sum of the current year's earnings plus the retained earnings from the prior two years. Based on these restrictions, the Bank would be limited to paying $339.0 million in dividends as of December 31, 2019.

The Bank is subject to various regulatory capital requirements administered by the state and federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank and the financial statements. Under regulatory capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines involving quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification under the prompt corrective guidelines are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of common equity Tier 1 capital, total risk-based capital and Tier 1 capital to risk-weighted assets (as defined in the regulations), and Tier 1 capital to adjusted total assets (as defined). Management believes, as of December 31, 2019, that the Bank meets all capital adequacy requirements to which it is subject.

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 is required to consist solely of common equity Tier 1, and the buffer applies to all three risk-based measurements (CET1, Tier 1 capital and total capital). The capital conservation buffer was phased in incrementally over time, beginning January 1, 2016 and becoming fully effective on January 1, 2019, and ultimately consists of an additional amount of Tier 1 common equity equal to 2.5% of risk-weighted assets. At December 31, 2019 the Company and bank exceeded such requirement.

As of December 31, 2019, the most recent notification from the Federal Deposit Insurance Corporation categorized ServisFirst Bank as well capitalized under the regulatory framework for prompt corrective action. To remain categorized as well capitalized, the Bank will have to maintain minimum CET1, total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios as disclosed in the table below. Management believes that it is well capitalized under the prompt corrective action provisions as of December 31, 2019.

The Company's and Bank's actual capital amounts and ratios are presented in the following table:

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2019:						
CET I Capital to Risk Weighted Assets:						
Consolidated	$ 822,396	10.50%	$ 342,283	4.50%	N/A	N/A
ServisFirst Bank	885,172	11.30%	342,269	4.50%	$ 494,389	6.50%
Tier I Capital to Risk Weighted Assets:						
Consolidated	822,896	10.50%	456,377	6.00%	N/A	N/A
ServisFirst Bank	885,674	11.31%	456,359	6.00%	608,479	8.00%
Total Capital to Risk Weighted Assets:						
Consolidated	964,683	12.31%	608,502	8.00%	N/A	N/A
ServisFirst Bank	962,758	12.29%	608,479	8.00%	760,598	10.00%
Tier I Capital to Average Assets:						
Consolidated	822,896	9.13%	356,012	4.00%	N/A	N/A
ServisFirst Bank	885,674	9.83%	355,998	4.00%	444,997	5.00%
As of December 31, 2018:						
CET I Capital to Risk Weighted Assets:						
Consolidated	$ 705,203	10.12%	$ 313,564	4.50%	N/A	N/A
ServisFirst Bank	768,614	11.03%	313,554	4.50%	$ 452,911	6.50%
Tier I Capital to Risk Weighted Assets:						
Consolidated	705,705	10.13%	418,086	6.00%	N/A	N/A
ServisFirst Bank	769,116	11.04%	418,071	6.00%	557,428	8.00%
Total Capital to Risk Weighted Assets:						
Consolidated	839,471	12.05%	557,448	8.00%	N/A	N/A
ServisFirst Bank	838,216	12.03%	557,428	8.00%	696,786	10.00%
Tier I Capital to Average Assets:						
Consolidated	705,705	9.07%	311,214	4.00%	N/A	N/A
ServisFirst Bank	769,116	9.89%	311,206	4.00%	389,007	5.00%

NOTE 15. OTHER OPERATING INCOME AND EXPENSES

The major components of other operating income and expense included in noninterest income and noninterest expense are as follows:

	Years Ended December 31,		
	2019	2018	2017
		(In Thousands)	
Other Operating Income			
ATM fee income	$ 1,477	$ 876	$ 711
Gain (loss) on sale of fixed assets	5	-	1
Other	261	363	387
Total other operating income	$ 1,743	$ 1,239	$ 1,099
Other Operating Expenses			
Data processing	$ 8,801	$ 6,667	$ 5,454
Other loan expenses	3,476	2,711	2,170
Customer and public relations	2,545	2,182	2,008
Bank service charges	2,432	2,004	1,522
Sales and use tax	640	733	1,167
Write-down investment in tax credit partnerships	746	750	1,081
Telephone	1,131	919	990
Donations and contributions	837	859	744
Marketing	581	557	716
Supplies	572	550	595
Fraud and forgery losses	577	464	515
Directors fees	545	467	472
Postage	393	439	441
Other operational losses	36	519	167
Other	4,136	3,477	3,087
Total other operating expenses	$ 27,448	$ 23,298	$ 21,129

NOTE 16. INCOME TAXES

The components of income tax expense are as follows:

	Year Ended December 31,		
	2019	2018	2017
		(In Thousands)	
Current tax expense:			
Federal	$ 36,683	$ 43,207	$ 27,952
State	2,012	2,950	2,258
Total current tax expense	38,695	46,157	30,210
Deferred tax (benefit) expense:			
Federal	(166)	(12,636)	17,073

State	(911)	(1,619)	(3,025)
Total deferred tax (benefit) expense	(1,077)	(14,255)	14,048
Total income tax expense	$ 37,618	$ 31,902	$ 44,258

The Company's total income tax expense differs from the amounts computed by applying the Federal income tax statutory rates to income before income taxes. A reconciliation of the differences is as follows:

	Year Ended December 31, 2019	
	Amount	% of Pre-tax Earnings
	(In Thousands)	
Income tax at statutory federal rate	$ 39,241	21.00%
Effect on rate of:		
State income tax, net of federal tax effect	822	0.44%
Tax-exempt income, net of expenses	(461)	(0.25)%
Bank owned life insurance contracts	(787)	(0.42)%
Excess tax benefit from stock compensation	(1,405)	(0.75)%
Federal tax credits	(170)	(0.09)%
Other	378	0.20%
Effective income tax and rate	$ 37,618	20.13%

	Year Ended December 31, 2018	
	Amount	% of Pre-tax Earnings
	(In Thousands)	
Income tax at statutory federal rate	$ 35,457	21.00%
Effect on rate of:		
State income tax, net of federal tax effect	808	0.48%
Tax-exempt income, net of expenses	(655)	(0.39)%
Bank owned life insurance contracts	(657)	(0.39)%
Excess tax benefit from stock compensation	(3,118)	(1.84)%
Federal tax credits	(113)	(0.07)%
Other	180	0.10%
Effective income tax and rate	$ 31,902	18.89%

	Year Ended December 31, 2017	
	Amount	% of Pre-tax Earnings
	(In Thousands)	
Income tax at statutory federal rate	$ 48,073	35.00%
Effect on rate of:		
State income tax, net of federal tax effect	43	0.03%
Tax-exempt income, net of expenses	(1,356)	(0.99)%
Bank owned life insurance contracts	(1,096)	(0.80)%
Excess tax benefit from stock compensation	(4,278)	(3.11)%
Federal tax credits	(234)	(0.17)%
Enacted tax rate change	3,108	2.26
Other	(2)	-%
Effective income tax and rate	$ 44,258	32.22%

The components of net deferred tax asset are as follows:

	December 31,	
	2019	2018
	(In Thousands)	
Deferred tax assets:		
Allowance for loan losses	$ 17,733	$ 17,212
Other real estate owned	225	317
Nonqualified equity awards	953	788
Nonaccrual interest	231	311
State tax credits	7,787	6,791
Investments	1,119	1,130
Deferred loan fees	891	804
Reserve for unfunded commitments	183	135
Accrued bonus	2,029	2,025
Differences in amounts reflected in financial statements and income tax basis of assets acquired and liabilities assumed in acquisition	121	139
Net unrealized loss on securities available for sale	-	1,273
Other deferred tax assets	487	669
Total deferred tax assets	31,759	31,594
Deferred tax liabilities:		
Net unrealized gain on securities available for sale	1,515	-
Depreciation	4,021	3,732
Prepaid expenses	516	376
Acquired intangible assets	141	209
Total deferred tax liabilities	6,193	4,317
Net deferred tax assets	$ 25,566	$ 27,277

The Company believes its net deferred tax asset is recoverable as of December 31, 2019 based on the expectation of future taxable income and other relevant considerations.

Pursuant to ASC 740-10-30-2 *Income Taxes*, deferred tax assets and liabilities are measured using enacted tax rates applicable to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. On December 22, 2017, the President of the United States signed the "Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018" (referred to as the "Tax Cuts and Jobs Act" or the Act). The Act provided for a reduction in the corporate tax rate from a maximum tax rate of 35% to a flat tax rate of 21% effective for tax years beginning after December 31, 2017. As a result, the Company revalued its deferred tax assets and liabilities as of December 31, 2017, and recorded the effect of this change as a component of tax expense. Tax expense recorded related to the change in the enacted federal tax rate was $3,108,000 in 2017.

The Company and its subsidiaries file a consolidated U.S. Federal income tax return and various consolidated and separate company state income tax returns. The Company is currently open to audit under the statute of limitations by the Internal Revenue Service for the years ended December 31, 2016 through 2019. The Company is also currently open to audit by several state departments of revenue for the years ended December 31, 2016 through 2019. The audit periods differ depending on the date the Company began business activities in each state. Currently, there are no years for which the Company filed a federal or state income tax return that are under examination by the IRS or any state department of revenue.

Accrued interest and penalties on unrecognized income tax benefits totaled $135,000 and $106,000 as of December 31, 2019 and 2018, respectively. Unrecognized income tax benefits as of December 31, 2019 and December 31, 2018, that, if recognized, would impact the effective income tax rate totaled $2,683,000 and $2,133,000 (net of the federal benefit on state income tax issues), respectively. The Company does not expect any of the uncertain tax positions to be settled or resolved during the next twelve months.

The following table presents a summary of the changes during 2019, 2018 and 2017 in the amount of unrecognized tax benefits that are included in the consolidated balance sheets.

	2019	2018	2017
		(In Thousands)	
Balance, beginning of year	$ 2,133	$ 1,779	$ 1,375
Increases related to prior year tax positions	998	799	365
Decreases related to prior year tax positions	-	-	-
Increases related to current year tax positions	-	-	-
Settlements	-	-	-
Enacted tax rate change	-	-	315
Lapse of statute	(448)	(445)	(276)
Balance, end of year	$ 2,683	$ 2,133	$ 1,779

NOTE 17. COMMITMENTS AND CONTINGENCIES

Loan Commitments

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, credit card arrangements, and standby letters of credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheets. A summary of the Company's approximate commitments and contingent liabilities is as follows:

	2019	2018	2017
		(In Thousands)	
Commitments to extend credit	$ 2,303,788	$ 1,985,801	$ 1,945,171
Credit card arrangements	248,617	173,613	128,149
Standby letters of credit and financial guarantees	48,394	40,590	41,654
Total	$ 2,600,799	$ 2,200,004	$ 2,114,974

Commitments to extend credit, credit card arrangements, commercial letters of credit and standby letters of credit all include exposure to some credit loss in the event of nonperformance of the customer. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet financial instruments. Because these instruments have fixed maturity dates, and because many of them expire without being drawn upon, they do not generally present any significant liquidity risk to the Company.

NOTE 18. CONCENTRATIONS OF CREDIT

The Company originates primarily commercial, residential, and consumer loans to customers in the Company's market area. The ability of the majority of the Company's customers to honor their contractual loan obligations is dependent on the economy in the market area.

The Company's loan portfolio is concentrated primarily in loans secured by real estate, principally secured by real estate in the Company's primary market areas. In addition, a substantial portion of the other real estate owned is located in that same market. Accordingly, the ultimate collectability of the loan portfolio and the recovery of the carrying amount of other real estate owned are susceptible to changes in market conditions in the Company's primary market area.

NOTE 19. 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. The difference in earnings per share under the two-class method was not significant at December 31, 2019, 2018 and 2017.

	Year Ended December 31,		
	2019	2018	2017
	(Dollar Amounts In Thousands Except Per Share Amounts)		
Earnings Per Share			
Weighted average common shares outstanding	53,530,766	53,172,695	52,887,359
Net income available to common stockholders	$ 149,180	$ 136,877	$ 93,030
Basic earnings per common share	$ 2.79	2.57	$ 1.76
Weighted average common shares outstanding	53,530,766	53,172,695	52,887,359
Dilutive effects of assumed conversions and exercise of stock options and warrants	572,308	997,184	1,236,598
Weighted average common and dilutive potential common shares outstanding	54,103,074	54,169,879	54,123,957
Net income available to common stockholders	$ 149,180	$ 136,877	$ 93,030
Diluted earnings per common share	$ 2.76	$ 2.53	$ 1.72

NOTE 20. RELATED PARTY TRANSACTIONS

As more fully described in Note 3, the Company had outstanding loan balances to related parties as of December 31, 2019 and 2018 in the amount of $24.7 million and $5.4 million, respectively. Related party deposits totaled $5.9 million and $6.6 million at December 31, 2019 and 2018, respectively.

NOTE 21. 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 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, as in the case of certain corporate securities, these 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 $22,924,000 and $14,942,000 during the years ended December 31, 2019 and 2018, 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. Net losses on the sale and write-downs of OREO of $432,000 and $775,000 was recognized during the years ended December 31, 2019 and 2018, 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.

There was one residential real estate loan foreclosure for $103,000 classified as OREO as of December 31, 2019, compared to $360,000 as of December 31, 2018.

One residential real estate loan for $287,000 was in the process of being foreclosed as of December 31, 2019.

The following table presents the Company's financial assets and financial liabilities carried at fair value on a recurring basis as of December 31, 2019 and December 31, 2018:

	Fair Value Measurements at December 31, 2019 Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets Measured on a Recurring Basis:		(In Thousands)		
Available-for-sale securities:				
U.S. Treasury securities	$ -	$ 49,210	$ -	$ 49,210
Government agency securities		18,386		18,386
Mortgage-backed securities	-	474,054	-	474,054
State and municipal securities	-	57,272	-	57,272
Corporate debt	-	153,881	6,596	160,477
Total assets at fair value	$ -	$ 752,803	$ 6,596	$ 759,399

	Fair Value Measurements at December 31, 2018 Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets Measured on a Recurring Basis:		(In Thousands)		
Available-for-sale securities				
U.S. Treasury securities	$ -	$ 58,428	$ -	$ 58,428
Government agency securities		18,565		18,565
Mortgage-backed securities	-	304,304	-	304,304
State and municipal securities	-	105,994	-	105,994
Corporate debt	-	96,375	6,518	102,893
Total assets at fair value	$ -	$ 583,666	$ 6,518	$ 590,184

The carrying amount and estimated fair value of the Company's financial instruments were as follows:

	Fair Value Measurements at December 31, 2019 Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets Measured on a Nonrecurring Basis:		(In Thousands)		
Impaired loans	$ -	-	$ 33,344	$ 33,344
Other real estate owned and repossessed assets	-	-	8,178	8,178
Total assets at fair value	-	-	$ 41,522	$ 41,522

	Fair Value Measurements at December 31, 2018 Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets Measured on a Nonrecurring Basis:	(In Thousands)			
Impaired loans	$ -	$ -	$ 30,463	$ 30,463
Other real estate owned	-	-	5,169	5,169
Total assets at fair value	$ -	$ -	$ 35,632	$ 35,632

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:

Debt securities: Where quoted prices are available in an active market, securities are classified within Level1 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.

Mortgage loans held for sale: Loans are committed to be delivered to investors on a "best efforts delivery" basis within30 days or origination. Due to this short turn-around time, the carrying amounts of the Company's agreements approximate their fair values.

The carrying amount, estimated fair value and placement in the fair value hierarchy of the Company's financial instruments as ofDecember 31, 2019 and December 31, 2018 are presented in the following table. This table includes those financial assets and liabilities that arenot measured and reported at fair value on a recurring basis or nonrecurring basis.

	December 31,			
	2019		2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In Thousands)			
Financial Assets:				
Level 1 Inputs:				
Cash and cash equivalents	$ 530,127	$ 530,127	$ 458,050	$ 458,050
Level 2 Inputs:				
Debt securities available for sale	$ 752,803	$ 752,803	$ 583,666	$ 583,666
Equity securities	-	-	894	894
Federal funds sold	100,473	100,473	223,845	223,845
Mortgage loans held for sale	6,302	6,312	120	121
Level 3 Inputs:				
Debt securities available for sale	$ 6,596	$ 6,596	$ 6,518	$ 6,518
Debt securities held to maturity	250	250	-	-
Loans, net	7,184,867	7,132,542	6,464,899	6,398,604
Financial Liabilities:				
Level 2 Inputs:				
Deposits	$ 7,530,433	$ 7,534,984	$ 6,915,708	$ 6,910,176
Federal funds purchased	470,749	470,749	288,725	288,725
Other borrowings	64,703	65,048	64,666	64,613

NOTE 22. PARENT COMPANY FINANCIAL INFORMATION

The following information presents the condensed balance sheet of the Company as of December 31, 2019 and 2018 and the condensed statements of income and cash flows for the years ended December 31, 2019, 2018 and 2017.

CONDENSED BALANCE SHEETS
(In Thousands)

	December 31, 2019	December 31, 2018
ASSETS		
Cash and due from banks	$ 10,071	$ 9,034
Investment in subsidiary	904,958	778,112
Other assets	1,238	239
Total assets	$ 916,267	$ 787,385
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Other borrowings	$ 64,703	$ 64,666
Other liabilities	9,384	8,018
Total liabilities	74,087	72,684
Stockholders' equity:		
Preferred stock, par value $0.001 per share; 1,000,000 authorized and undesignated at December 31, 2019 and December 31, 2018	-	-
Common stock, par value $0.001 per share; 100,000,000 shares authorized; 53,623,740 shares issued and outstanding at December 31, 2019 and 53,375,195 shares issued and outstanding at December 31, 2018	54	53
Additional paid-in capital	219,766	218,521
Retained earnings	616,611	500,868
Accumulated other comprehensive (loss) income	5,749	(4,741)
Total stockholders' equity	842,180	714,701
Total liabilities and stockholders' equity	$ 916,267	$ 787,385

CONDENSED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 and 2017
(In Thousands)

	2019	2018	2017
Income:			
Dividends received from subsidiary	$ 37,000	$ 23,000	$ 6,500
Other income	-	176	2
Total income	37,000	23,176	6,502
Expense:			
Other expenses	2,930	2,933	2,260
Total expenses	2,930	2,933	2,260
Equity in undistributed earnings of subsidiary	115,110	116,634	88,788
Net income	149,180	136,877	93,030
Dividends on preferred stock	-	-	-
Net income available to common stockholders	$ 149,180	$ 136,877	$ 93,030

STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(In Thousands)

	2019	2018	2017
Operating activities			
Net income	$ 149,180	$ 136,877	$ 93,030
Adjustments to reconcile net income to net cash provided by operating activities:			
Other	38	(1,181)	(314)
Equity in undistributed earnings of subsidiary	(115,110)	(116,634)	(88,788)
Net cash provided by operating activities	34,108	19,062	3,928
Investing activities			
Investment in subsidiary	-	-	-
Other	(1,000)	275	-
Net cash used in investing activities	(1,000)	275	-
Financing activities			
Proceeds from issuance of subordinated notes	-	-	29,943
Redemption of subordinated notes	-	-	(20,000)
Dividends paid on common stock	(32,071)	(20,194)	(10,040)
Net cash provided by financing activities	(32,071)	(20,194)	(97)
Increase (decrease) in cash and cash equivalents	1,037	(857)	3,831
Cash and cash equivalents at beginning of year	9,034	9,891	6,060
Cash and cash equivalents at end of year	$ 10,071	$ 9,034	$ 9,891

NOTE 23. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table sets forth certain unaudited quarterly financial data derived from our consolidated financial statements. Such data is only a summary and should be read in conjunction with our historical consolidated financial statements and related notes continued in this annual report on Form 10-K.

	2019 Quarter Ended (Dollars in thousands, except per share data)			
	March 31	June 30	September 30	December 31
Interest income	$ 93,699	$ 97,787	$ 101,130	$ 98,187
Interest expense	24,921	27,702	28,125	22,410
Net interest income	68,778	70,085	73,005	75,777
Provision for loan losses	4,885	4,884	6,985	5,884
Net income available to common stockholders	35,010	35,602	37,563	41,005
Net income per common share, basic	$ 0.65	$ 0.67	$ 0.70	$ 0.77
Net income per common share, diluted	$ 0.65	$ 0.66	$ 0.69	$ 0.76

	2018 Quarter Ended (Dollars in thousands, except per share data)			
	March 31	June 30	September 30	December 31
Interest income	$ 74,009	$ 78,396	$ 84,058	$ 90,164
Interest expense	11,573	13,874	17,195	21,306
Net interest income	62,436	64,522	66,863	68,858
Provision for loan losses	4,139	4,121	6,624	6,518
Net income available to common stockholders	32,603	33,509	34,560	36,205
Net income per common share, basic	$ 0.61	$ 0.63	$ 0.65	$ 0.68
Net income per common share, diluted	$ 0.60	$ 0.62	$ 0.64	$ 0.67

PART IV

ITEM 15. **Exhibits, Financial Statement Schedules**

(a) The following statements are filed as a part of this Annual Report on Form 10-K

(b) The following exhibits are furnished with this Annual Report on Form 10-K

EXHIBIT NO.	NAME OF EXHIBIT
2.1	Plan of Reorganization and Agreement of Merger dated August 29, 2007 (incorporated by reference to Exhibit 2.1 to the Company's Registration Statement on Form 10, filed on March 28, 2008).

3.1	Restated Certificate of Incorporation as amended (incorporated by reference to Exhibit 3.3 to the Company's Current Report on Form 8-K, filed June 24, 2016).
3.2	Certificate of Elimination of the Senior-Non Cumulative Perpetual Preferred Stock, Series A (incorporated by reference to Exhibit 3.2 to the Company’s Current Report on Form 8-K/A, filed on June 28, 2016).
3.3	Bylaws (Restated for SEC filing purposes only) (incorporated by reference to Exhibit 3.1 to the Company’s Current Report on Form 8-K, filed on April 4, 2014).
4.1	Form of Common Stock Certificate (incorporated by reference to Exhibit 4.1 to the Company’s Registration Statement on Form 10, filed on March 28, 2008).

4.2	Revised Form of Common Stock Certificate (incorporated by reference to Exhibit 4.1 to the Company’s Current Report on Form 8-K, filed on September 15, 2008, Commission File No. 0-53149).
4.3^	Description of Capital Stock
10.1*	2005 Amended and Restated Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company’s Registration Statement on Form 10, filed on March 28, 2008).
10.2*	Amended and Restated Change in Control Agreement with William M. Foshee dated March 5, 2014 (incorporated by reference to Exhibit 10.2 to the Company’s Annual Report on Form 10-K, filed on March 7, 2014).
10.3*	Amended and Restated Change in Control Agreement with Clarence C. Pouncey III dated March 5, 2014 (incorporated by reference to Exhibit 10.3 to the Company’s Annual Report on Form 10-K, filed on March 7, 2014).
10.4*	Employment Agreement of Andrew N. Kattos dated April 27, 2006 (incorporated by reference to Exhibit 10.4 to the Company’s Registration Statement on Form 10, filed on March 28, 2008).
10.5*	Employment Agreement of G. Carlton Barker dated February 1, 2007 (incorporated by reference to Exhibit 10.5 to the Company’s Registration Statement on Form 10, filed on March 28, 2008).
10.6*	2009 Amended and Restated Stock Incentive Plan (incorporated by reference to Appendix A to the Company’s Definitive Proxy Statement on Schedule 14A, filed on March 18, 2014).
10.7*	Note Purchase Agreement, dated July 15, 2015 between the Company and the purchasers party thereto (incorporated by reference to Exhibit 4.1 to the Company’s Current Report on Form 8-K, filed on July 20, 2015).
10.8*	Note Purchase Agreement, dated November 8, 2017, between ServisFirst Bancshares, Inc. and certain accredited investors (incorporated by reference to Exhibit 4.1 to the Company’s Current Report on Form 8-K, filed on November 9, 2017).
10.9*	First Amendment to the ServisFirst Bancshares, Inc. Amended and Restated 2009 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company’s Quarterly Report on Form 10-Q, filed November 1, 2016).
10.10*	First Amendment to the ServisFirst Bancshares, Inc. Amended and Restated 2005 Stock Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company’s Quarterly Report on Form 10-Q, filed November 1, 2016).
10.11*	Form of Nonqualified Stock Option Award pursuant to the ServisFirst Bancshares, Inc. Amended and Restated 2009 Stock Incentive Plan (incorporated by reference to Exhibit 10.3 to the Company’s Quarterly Report on Form 10-Q, filed November 1, 2016).
10.12*	Form of Restricted Stock Award Agreement pursuant to the ServisFirst Bancshares, Inc. Amended and Restated 2009 Stock Incentive Plan (incorporated by reference to Exhibit 4.4 to the Company’s Registration Statement on Form S-8, filed June 17, 2014).
10.13	Loan Agreement, dated as of September 1, 2016, by and between ServisFirst Bancshares, Inc. and NexBank SSB (incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K, filed September 2, 2016).
10.14	Revolving Promissory Note dated as of September 1, 2016 (incorporated by reference to Exhibit 10.2 to the Company’s Current Report on Form 8-K, filed September 2, 2016).
10.15	Pledge and Security Agreement dated as of September 1, 2016 by and between ServisFirst Bancshares, Inc. and NexBank SSB (incorporated by reference to Exhibit 10.3 to the Company’s Current Report on Form 8-K, filed September 2, 2016).
10.16*	Second Amendment to the ServisFirst Bancshares, Inc. Amended and Restated 2009 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed September 17, 2018).

10.17*	Third Amendment to the ServisFirst Bancshares, Inc. Amended and Restated 2009 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q, filed April 30, 2019).
10.18*	Form of Nonqualified Stock Option Award (Revised 2019)(incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q, filed April 30, 2019).
10.19*	Form of Restricted Stock Award Agreement (Revised 2019)(incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q, filed April 30, 2019).
21^	List of Subsidiaries

23	Consent of Dixon Hughes Goodman LLP
24^	Power of Attorney
31.1^	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)
31.2^	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)
31.3	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)
31.4	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)
32.1^	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350
32.2^	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350
32.3	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350
32.4	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350
101.INS	XBRL Instance Document – the instance document does not appear in the Interactive Data File as its XBRL tags are embedded within the Inline XBRL document
101.SCH	XBRL Schema Documents
101.CAL	XBRL Calculation Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation Linkbase Document
101.DEF	XBRL Definition Linkbase Document

** denotes management contract or compensatory plan or arrangement*
^ filed with Original Filing

ITEM 16. **FORM 10-K SUMMARY**

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

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

Dated: March __, 2020

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

Signature	Title	Date
/s/Thomas A. Broughton, III Thomas A. Broughton, III	Chairman, President, Chief Executive Officer and Director (Principal Executive Officer)	February 25, 2020

/s/ William M. Foshee William M. Foshee	Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	February 25, 2020
* Irma L. Tuder	Director	February 25, 2020
* Michael D. Fuller	Director	February 25, 2020
* James J. Filler	Director	February 25, 2020
* Joseph R. Cashio	Director	February 25, 2020

*	Director	February 25, 2020
Hatton C. V. Smith		
*	Director	February 25, 2020
Christopher J. Mettler		

*The undersigned, acting pursuant to a Power of Attorney, has signed this Annual Report on Form 10-K for and on behalf of the persons indicated above as such persons' true and lawful attorney-in-fact and in their names, places and stated, in the capacities indicated above and on the date indicated below.

/s/ William M. Foshee
William M. Foshee
Attorney-in-Fact
February 25, 2020

Exhibit 23

Consent of Independent Registered Public Accounting Firm

Board of Directors
ServisFirst Bancshares, Inc.
Birmingham, Alabama

We consent to the incorporation by reference in the registration statements (Nos. 333-170507, 333-196825 and 333-213869) on Form S-8 and (No. 333-225302) on Form S-3 of ServisFirst Bancshares, Inc. of our reports dated February 25, 2020, with respect to the consolidated financial statements of ServisFirst Bancshares, Inc. and subsidiaries and the effectiveness of internal control over financial reporting, which reports appear in ServisFirst Bancshares, Inc.'s 2019 Annual Report on Form 10-K.

Sincerely,

/s/ Dixon Hughes Goodman LLP

Atlanta, Georgia
March 27, 2020

Exhibit 31.3

Section 302 Certification of the CEO

I, Thomas A. Broughton III, certify that:

1. I have reviewed this Annual Report on Form 10-K/A 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 control 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: March 27, 2020

/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 31.4

Section 302 Certification of the CFO

I, William M. Foshee, certify that:

1. I have reviewed this Annual Report on Form 10-K/A 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 control 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: March 27, 2020

/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 32.3

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 Annual Report on Form 10-K/A of the Company for the year ended December 31, 2019, 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: March 27, 2020

/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 32.4

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 Annual Report on Form 10-K/A of the Company for the year ended December 31, 2019, 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: March 27, 2020

/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.