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

## FORM 10-Q/A
**Amendment No. 1**

Servis 1st Bank

**(Mark one)**

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2020**

☐ **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 |

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 for 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,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act (Check one):

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

If an emerging growth company, indicate by check mark if 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 ☒

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

| Class | Outstanding as of April 27, 2020 |
|---|---|
| Common stock, $.001 par value | 53,844,009 |

## 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 Quarterly Report on Form 10-Q/A (the “Amendment”) to our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020, which was filed with the Securities and Exchange Commission on April 30, 2020 (the “Original Filing”). The Company is filing this Amendment solely for the purpose of correcting in Item 2 of its Form 10-Q for the quarterly period ended March 31, 2020 the table setting forth capital ratios required by the FDIC and Alabama Banking Department, which was inadvertently misstated with respect to the data shown as of March 31, 2020. There were no other changes to the Original Filing.

**TABLE OF CONTENTS**

## PART 1. FINANCIAL INFORMATION

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

The following discussion and analysis is designed to provide a better understanding of various factors relating to the results of operations and financial condition of ServisFirst Bancshares, Inc. (the "Company") and its wholly owned subsidiary, ServisFirst Bank (the "Bank"). This discussion is intended to supplement and highlight information contained in the accompanying unaudited consolidated balance sheets as of March 31, 2020 and December 31, 2019 and consolidated statements of income for the three months ended March 31, 2020 and March 31, 2019.

### Forward-Looking Statements

Statements in this document that are not historical facts, including, but not limited to, statements concerning future operations, results or performance, are hereby identified as "forward-looking statements" for the purpose of the safe harbor provided by Section 21E of the Securities Exchange Act of 1934 and Section 27A of the Securities Act of 1933. The words "believe," "expect," "anticipate," "project," "plan," "intend," "will," "could," "would," "might" and similar expressions often signify forward-looking statements. Such statements involve inherent risks and uncertainties. The Company cautions that such forward-looking statements, wherever they occur in this quarterly report or in other statements attributable to the Company, are necessarily estimates reflecting the judgment of the Company's senior management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. Such forward-looking statements should, therefore, be considered in light of various factors that could affect the accuracy of such forward-looking statements, including, but not limited to: the global health and economic crisis precipitated by the COVID-19 outbreak; general economic conditions, especially in the credit markets and in the Southeast; the performance of the capital markets; changes in interest rates, yield curves and interest rate spread relationships; changes in accounting and tax principles, policies or guidelines; changes in legislation or regulatory requirements; changes in our loan portfolio and deposit base; economic crisis and associated credit issues in industries most impacted by the COVID-19 outbreak, including but not limited to, the restaurant, hospitality and retail sectors; possible changes in laws and regulations and governmental monetary and fiscal policies; the cost and other effects of legal and administrative cases and similar contingencies; possible changes in the creditworthiness of customers and the possible impairment of the collectability of loans and the value of collateral; the effect of natural disasters, such as hurricanes and tornados, in our geographic markets; and increased competition from both banks and non-banks. The foregoing list of factors is not exhaustive. For discussion of these and other risks that may cause actual results to differ from expectations, please refer to "Cautionary Note Regarding Forward Looking Statements" and "Risk Factors" in our most recent Annual Report on Form 10-K and our other SEC filings. If one or more of the factors affecting our forward-looking information and statements proves incorrect, then our actual results, performance or achievements could differ materially from those expressed in, or implied by, forward-looking information and statements. Accordingly, you should not place undue reliance on any forward-looking statements, which speak only as of the date made. The Company assumes no obligation to update or revise any forward-looking statements that are made from time to time.

### Business

We are a bank holding company under the Bank Holding Company Act of 1956 and are headquartered in Birmingham, Alabama. Our wholly-owned subsidiary, ServisFirst Bank, an Alabama banking corporation, provides commercial banking services through 20 full-service banking offices located in Alabama, Tampa Bay, Florida, the panhandle of Florida, the greater Atlanta, Georgia metropolitan area, Charleston, South Carolina, and Nashville, Tennessee. Through the bank, we originate commercial, consumer and other loans and accept deposits, provide electronic banking services, such as online and mobile banking, including remote deposit capture, deliver treasury and cash management services and provide correspondent banking services to other financial institutions.

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

### Overview

As of March 31, 2020, we had consolidated total assets of $9.36 billion, up $417.2 million, or 4.7%, from total assets of $8.95 billion at December 31, 2019. Total loans were $7.57 billion at March 31, 2020, up $307.4 million, or 4.2%, from $7.26 billion at December 31, 2019. Total deposits were $7.83 billion at March 31, 2020, up $302.2 million, or 4.0%, from $7.53 billion at December 31, 2019.

Net income available to common stockholders for the three months ended March 31, 2020 was $34.8 million, down $232,000, or 0.6%, from $35.0 million for the three months ended March 31, 2019.  Basic and diluted earnings per common share were $0.65 and $0.64, respectively, for the three months ended March 31, 2020, compared to $0.65 and  $0.65, respectively, for the corresponding period in 2019.  An increase in net interest income of $8.9 million for the comparative periods contributed to the increase in net income.  Partially offsetting the increase in net interest income were increases in salary expenses, other operating expenses, and provision for loan losses. Changes in income and expenses are more fully explained in "Results of Operations" below.

**Critical Accounting Policies**

The accounting and financial policies of the Company conform to U.S. GAAP and to general practices within the banking industry. 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, deferred taxes, and fair value of financial instruments are particularly subject to change.  Information concerning our accounting policies with respect to these items is available in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

**Financial Condition**

**Cash and Cash Equivalents**

At March 31, 2020, we had $306.1 million in federal funds sold, compared to $100.5 million at December 31, 2019.  We also maintain balances at the Federal Reserve Bank of Atlanta, which earn interest.  At March 31, 2020, we had $67.4 million in balances at the Federal Reserve, compared to $61.9 million at December 31, 2019.  Our increase in federal funds sold were the result of an increase in funds sold on the American Financial Exchange during the first quarter of 2020.

**Investment Securities**

Debt securities available for sale totaled $826.8 million at March 31, 2020 and $759.4 million at December 31, 2019.  Investment securities held to maturity totaled $250,000 at March 31, 2020 and December 31, 2019, respectively. We had pay downs of $20.8 million on mortgage-backed securities and calls and maturities of $5.9 million and $245,000 on municipal securities and certificates of deposit, respectively during the first three months of 2020. We bought $80.2 million of mortgage-backed securities during the first three months of 2020.

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

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

Lower market interest rates resulting from the financial crisis related to the COVID-19 pandemic have caused the market values of most of our investment securities to increase.  Our unrealized gains on investments have increased from $7.2 million as of December 31, 2019 to $22.0 million as of March 31, 2020.

The Company does not invest in collateralized debt obligations (“CDOs”). We have $160.6 million of bank holding company subordinated notes. All such bonds were rated BBB or better by Kroll Bond Rating Agency at the time of our investment in them. All other corporate bonds had a Standard and Poor’s or Moody’s rating of A-1 or better when purchased. The total investment portfolio as of March 31, 2020 has a combined average credit rating of AA.

The carrying value of investment securities pledged to secure public funds on deposit and for other purposes as required by law was $374.3 million and $389.9 million as of March 31, 2020 and December 31, 2019, respectively.

**Loans**

As of March 31, 2020, the Company had executed 730 loan modifications with payment deferrals on outstanding loan balances of $574.7 million in connection with the COVID-19 relief provided by the CARES Act. Almost all of these were principal only deferrals, were generally no more than three months in duration and were not considered troubled debt restructurings based on interagency guidance issued in March 2020. We anticipate continuing payment deferrals as provided by the CARES Act during 2020.

We had total loans of $7.57 billion at March 31, 2020, up $307.4 million, or 4.2%, compared to $7.26 billion at December 31, 2019. At March 31, 2020, the percentage of our total loans in each of our markets was as follows:

| | Percentage of Total Loans in MSA |
|---|---|
| Birmingham, AL | 40.7% |
| Huntsville, AL | 8.1% |
| Dothan, AL | 8.8% |
| Montgomery, AL | 5.5% |
| Mobile, AL | 6.0% |
| Total Alabama MSAs | 69.1% |
| Pensacola, FL | 6.0% |
| West Florida (1) | 4.5% |
| Total Florida MSAs | 10.5% |
| Nashville, TN | 10.2% |
| Atlanta, GA | 6.2% |
| Charleston, SC | 4.0% |

**Asset Quality**

The Company determined to delay its adoption of ASU 2016-13, “Financial Instruments – Credit Losses (Topic 326)” until the earlier of the date on which the national emergency concerning COVID-19 terminates or December 31, 2020, as outlined in the CARES Act, with an effective retrospective implementation date of January 1, 2020. Accordingly, the Company will continue to use the incurred loss methodology to calculate the allowance for loan losses until the earlier of either event.

The allowance for loan losses, sometimes referred to as the “ALLL,” is established and maintained at levels management deems adequate to absorb anticipated credit losses from identified and otherwise inherent risks in the loan portfolio as of the balance sheet date. In assessing the adequacy of the allowance for loan losses, management considers its evaluation of the loan portfolio, past due loan experience, collateral values, current economic conditions and other factors considered necessary to maintain the allowance at an adequate level. If the ALLL is considered inadequate to absorb future loan losses on existing loans for any reason, including but not limited to, increases in the size of the loan portfolio, increases in charge-offs or changes in the risk characteristics of the loan portfolio, then the provision for loan losses is increased. Our management believes that the allowance was adequate at March 31, 2020.

Our management reviews the adequacy of the ALLL on a quarterly basis. The ALLL calculation is segregated into various segments that include classified loans, loans with specific allocations and pass rated loans. A pass rated loan is generally characterized by a very low to average risk of default and in which management perceives there is a minimal risk of loss. Loans are rated using a nine-point risk grade scale with loan officers having the primary responsibility for assigning risk grades and for the timely reporting of changes in the risk grades. Based on these processes, and the assigned risk grades, the criticized and classified loans in the portfolio are segregated into the following regulatory classifications: Special Mention, Substandard, Doubtful or Loss, with some general allocation of reserve based on these grades. At March 31, 2020, total loans rated Special Mention, Substandard, and Doubtful were $101.8 million, or 1.3% of total loans, compared to $123.7 million, or 1.7% of total loans, at December 31, 2019. Reserve percentages assigned to non-impaired loans are based on historical charge-off experience adjusted for other risk factors. To evaluate the overall adequacy of the ALLL to absorb losses inherent in our loan portfolio, our management considers historical loss experience based on volume and types of loans, trends in classifications, volume and trends in delinquencies and nonaccruals, economic conditions, including the economic distress caused by the COVID-19 pandemic and other pertinent information. Based on future evaluations, additional provisions for loan losses may be necessary to maintain the allowance for loan losses at an appropriate level.

Loans are considered impaired when, based on current information and events, it is probable that the bank will be unable to collect all amounts due according to the original terms of the loan agreement. The collection of all amounts due according to contractual terms means that both the contractual interest and principal payments of a loan will be collected as scheduled in the loan agreement. Impaired loans are reviewed specifically and separately under FASB ASC 310-30-35, Subsequent Measurement of Impaired Loans, to determine the appropriate reserve allocation. Impaired loans are measured based on the present value of expected future cash flows discounted at the interest rate implicit in the original loan agreement, or, as a practical expedient, at the loan's observable market price, or the fair value of the underlying collateral. The fair value of collateral, reduced by costs to sell on a discounted basis, is used if a loan is collateral-dependent.

| | As of and for the Three Months Ended March 31, | |
|---|---|---|
| | 2020 | 2019 |
| | (Dollars in thousands) | |
| Total loans outstanding, net of unearned income | $ 7,568,836 | $ 6,659,908 |
| Average loans outstanding, net of unearned income | $ 7,361,149 | $ 6,601,497 |
| Allowance for loan losses at beginning of period | 76,584 | 68,600 |
| Charge-offs: | | |
| Commercial, financial and agricultural loans | 2,640 | 3,037 |
| Real estate - construction | 454 | - |
| Real estate - mortgage | 1,678 | 50 |
| Consumer loans | 58 | 218 |
| Total charge-offs | 4,830 | 3,305 |
| Recoveries: | | |
| Commercial, financial and agricultural loans | 62 | 12 |
| Real estate - construction | 1 | 1 |
| Real estate - mortgage | 1 | 7 |
| Consumer loans | 12 | 7 |
| Total recoveries | 76 | 27 |
| Net charge-offs | 4,754 | 3,278 |
| Provision for loan losses | 13,584 | 4,885 |
| Allowance for loan losses at period end | $ 85,414 | $ 70,207 |
| Allowance for loan losses to period end loans | 1.13% | 1.05% |
| Net charge-offs to average loans | 0.26% | 0.20% |

| March 31, 2020 | Amount | Percentage of loans in each category to total loans |
|---|---|---|
| | (In Thousands) | |
| Commercial, financial and agricultural | $ 48,780 | 36.61% |
| Real estate - construction | 3,757 | 7.25% |
| Real estate - mortgage | 32,360 | 55.34% |
| Consumer | 517 | 0.80% |
| Total | $ 85,414 | 100.00% |

| December 31, 2019 | Amount | Percentage of loans in each category to total loans |
|---|---|---|
| | (In Thousands) | |
| Commercial, financial and agricultural | $ 43,666 | 37.13% |
| Real estate - construction | 2,768 | 7.18% |
| Real estate - mortgage | 29,653 | 54.80% |
| Consumer | 497 | 0.89% |
| Total | $ 76,584 | 100.00% |

**Nonperforming Assets**

Total nonperforming loans, which include nonaccrual loans and loans 90 or more days past due and still accruing, decreased to $33.9 million at March 31, 2020 compared to $36.1 million at December 31, 2019. Of this total, nonaccrual loans of $28.9 million at March 31, 2020 represented a net decrease of $1.2 million from nonaccrual loans at December 31, 2019. Excluding credit card accounts, there was one loan 90 or more days past due and still accruing totaling $4.9 million at March 31, 2020, compared to one loan totaling $5.0 million at December 31, 2019. Troubled Debt Restructurings ("TDR") at March 31, 2020 and December 31, 2019 were $2.4 million and $3.3 million, respectively. There was one loan newly classified as a TDR totaling $350,000 and no renewals of existing TDRs for the three months ended March 31, 2020. There were no modifications made to new TDRs or renewals of existing TDRs for the three months ended March 31, 2019.

OREO and repossessed assets decreased to $7.5 million at March 31, 2020, from $8.2 million at December 31, 2019. The following table summarizes OREO and repossessed asset activity for the three months ended March 31, 2020 and 2019:

| | Three months ended March 31, 2020 | 2019 |
|---|---|---|
| | (In thousands) | |
| Balance at beginning of period | $ 8,178 | $ 5,169 |
| Transfers from loans and capitalized expenses | 287 | 381 |
| Proceeds from sales | (454) | (48) |
| Write-downs / net gain (loss) on sales | (563) | (22) |
| Balance at end of period | $ 7,448 | $ 5,480 |

The following table summarizes our nonperforming assets and TDRs at March 31, 2020 and December 31, 2019:

| | March 31, 2020 | | December 31, 2019 | |
|---|---|---|---|---|
| | Balance | Number of Loans | Balance | Number of Loans |
| | (Dollar Amounts In Thousands) | | | |
| Nonaccrual loans: | | | | |
| Commercial, financial and agricultural | $ 15,130 | 26 | $ 14,729 | 29 |
| Real estate - construction | 1,804 | 4 | 1,588 | 2 |
| Real estate - mortgage: | | | | |
| Owner-occupied commercial | 10,235 | 5 | 10,826 | 3 |
| 1-4 family mortgage | 1,736 | 9 | 1,440 | 5 |
| Other mortgage | - | - | 1,507 | 1 |
| Total real estate - mortgage | 11,971 | 14 | 13,773 | 9 |
| Consumer | 9 | 1 | - | - |
| Total Nonaccrual loans: | $ 28,914 | 45 | $ 30,090 | 40 |
| | | | | |
| 90+ days past due and accruing: | | | | |
| Commercial, financial and agricultural | $ 45 | 3 | $ 201 | 3 |
| Real estate - construction | - | - | - | - |
| Real estate - mortgage: | | | | |
| Owner-occupied commercial | - | - | - | - |
| 1-4 family mortgage | - | - | 873 | 5 |
| Other mortgage | 4,893 | 1 | 4,924 | 1 |
| Total real estate - mortgage | 4,893 | 1 | 5,797 | 6 |
| Consumer | 16 | 4 | 23 | 8 |
| Total 90+ days past due and accruing: | $ 4,954 | 8 | $ 6,021 | 17 |
| | | | | |
| Total Nonperforming Loans: | $ 33,868 | 53 | $ 36,111 | 57 |
| | | | | |
| Plus: Other real estate owned and repossessions | 7,448 | 10 | 8,178 | 12 |
| Total Nonperforming Assets | $ 41,316 | 63 | $ 44,289 | 69 |
| | | | | |
| Restructured accruing loans: | | | | |
| Commercial, financial and agricultural | $ 975 | 3 | $ 625 | 2 |
| Real estate - construction | - | - | - | - |
| Real estate - mortgage: | | | | |
| Owner-occupied commercial | - | - | - | - |
| 1-4 family mortgage | - | - | - | - |
| Other mortgage | - | - | - | - |
| Total real estate - mortgage | - | - | - | - |
| Consumer | - | - | - | - |
| Total restructured accruing loans: | $ 975 | 3 | $ 625 | 2 |
| Total Nonperforming assets and restructured accruing loans | $ 42,291 | 66 | $ 44,914 | 71 |
| | | | | |
| Ratios: | | | | |
| Nonperforming loans to total loans | 0.45% | | 0.50% | |
| Nonperforming assets to total loans plus other real estate owned and repossessions | 0.55% | | 0.61% | |
| Nonperforming assets plus restructured accruing loans to total loans plus other real estate owned and repossessions | 0.56% | | 0.62% | |

The balance of nonperforming assets can fluctuate due to changes in economic conditions.  We have established a policy to discontinue accruing interest on a loan (i.e., place the loan on nonaccrual status) after it has become 90 days delinquent as to payment of principal or interest, unless the loan is considered to be well-collateralized and is actively in the process of collection. In addition, a loan will be placed on nonaccrual status before it becomes 90 days delinquent unless management believes that the collection of interest is expected. Interest previously accrued but uncollected on such loans is reversed and charged against current income when the receivable is determined to be uncollectible.  Interest income on nonaccrual loans is recognized only as received. If we believe that a loan will not be collected in full, we will increase the allowance for loan losses to reflect management's estimate of any potential exposure or loss.  Generally, payments received on nonaccrual loans are applied directly to principal.  We have adjusted our policy to continue the accrual of interest on loans which we have executed payment deferrals on in connection with the CARES Act.  These deferrals are generally no more than three months in duration and were not considered troubled debt restructurings based on interagency guidance issued in March 2020.

**Impaired Loans and Allowance for Loan Losses**

As of March 31, 2020, we had impaired loans of $60.5 million inclusive of nonaccrual loans, an increase of $17.4 million from $43.1 million as of December 31, 2019. This increase is primarily attributable to one commercial relationship classified as impaired at March 31, 2020, totaling $20.0 million.  We allocated $10.1 million of our allowance for loan losses at March 31, 2020 to these impaired loans, an increase of $0.3 million compared to $9.8 million as of December 31, 2019. A loan is considered impaired, based on current information and events, if it is probable that we will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the original loan agreement. Impairment does not always indicate credit loss but provides an indication of collateral exposure based on prevailing market conditions and third-party valuations. Impaired loans are measured by either the present value of expected future cash flows discounted at the interest rate implicit in the original loan agreement, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral-dependent. The amount of impairment, if any, and subsequent changes are included in the allowance for loan losses. Interest on accruing loans is recognized as long as such loans do not meet the criteria for nonaccrual status. Our credit administration team performs verification and testing to ensure appropriate identification of impaired loans and that proper reserves are held on these loans.

Of the $60.5 million of impaired loans reported as of March 31, 2020, $44.9 million were commercial, financial and agricultural loans, $1.8 million were real estate – construction loans, $13.8 million were real estate - mortgage loans and $9,000 were consumer loans.

**Deposits**

Total deposits increased by $302.0 million to $7.83 billion at March 31, 2020 compared to $7.53 billion at December 31, 2019.  We anticipate long-term sustainable growth in deposits through continued development of market share in our less mature markets and through organic growth in our mature markets.

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

The following table summarizes balances of our deposits and the percentage of each type to the total at March 31, 2020 and December 31, 2019.

| | March 31, 2020 | | December 31, 2019 | |
|---|---|---|---|---|
| Non-interest-bearing demand | $ 1,925,626 | 24.58% | $ 1,749,879 | 23.24% |
| Interest-bearing | 5,064,699 | 64.66% | 4,986,155 | 66.21% |
| Savings | 67,434 | 0.86% | 65,808 | 0.87% |
| Time deposits, $250,000 and under | 281,085 | 3.59% | 267,259 | 3.55% |
| Time deposits, over $250,000 | 493,811 | 6.30% | 461,332 | 6.13% |
| | $ 7,832,655 | 100.00% | $ 7,530,433 | 100.00% |

**Borrowings**

Our borrowings consist of federal funds purchased and subordinated notes payable. We had $543.6 million and $470.7 million at March 31, 2020 and December 31, 2019, respectively, in federal funds purchased from correspondent banks that are clients of our correspondent banking unit. The average rate paid on these borrowings was 0.20% for the quarter ended March 31, 2020. Other borrowings consist of the following:

- $34.78 million of 5% Subordinated Notes due July 15, 2025, which were issued in a private placement in July 2015 and pay interest semi-annually; and
- $30.0 million of 4.5% Subordinated Notes due November 8, 2027, which were issued in a private placement in November 2017 and pay interest semi-annually.

**Liquidity**

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

The retention of existing deposits and attraction of new deposit sources through new and existing customers is critical to our liquidity position. If our liquidity was to decline due to a run-off in deposits, we have procedures that provide for certain actions under varying liquidity conditions. These actions include borrowing from existing correspondent banks, selling or participating loans, and curtailing loan commitments and funding. At March 31, 2020, liquid assets, which are represented by cash and due from banks, federal funds sold and unpledged available-for-sale securities, totaled $1.2 billion. Additionally, the Bank had borrowing availability of approximately $772.0 million in unused federal funds lines of credit with regional banks, subject to certain restrictions and collateral requirements. We believe these sources of funding are adequate to meet immediate anticipated funding needs, but we may need additional funding if we are able to maintain our current growth rate into the future.

We anticipate the need for short-term funding of PPP loans and have applied with the Federal Reserve Bank of Atlanta to participate in their PPP Liquidity Facility (“PPPLF”). The PPPLF will allow us to use PPP loans as collateral to borrow funds from the FRB-Atlanta at a rate of 0.35% for a certain period of time. We currently anticipate that the vast majority of the loans we make through the PPP will be totally forgiven by the SBA by the end of the second quarter of 2020, or soon thereafter.

Our management meets on a quarterly basis to review sources and uses of funding to determine the appropriate strategy to ensure an appropriate level of liquidity. At the current time, our long-term liquidity needs primarily relate to funds required to support loan originations and commitments and deposit withdrawals. Our regular sources of funding are from the growth of our deposit base, repayment of principal and interest on loans, the sale of loans and the renewal of time deposits. In addition, we have issued debt as described above under “Borrowings.”

We are subject to general FDIC guidelines that require a minimum level of liquidity. Management believes our liquidity ratios meet or exceed these guidelines. However, uncertainties brought about by the COVID-19 pandemic may adversely affect our ability to obtain funding or may increase the cost of funding.

The following table reflects the contractual maturities of our term liabilities as of March 31, 2020. The amounts shown do not reflect any early withdrawal or prepayment assumptions.

| | Payments due by Period | | | | |
|---|---|---|---|---|---|
| | Total | 1 year or less | 1 - 3 years | 3 - 5 years | Over 5 years |
| | | | (In Thousands) | | |
| Contractual Obligations (1) | | | | | |
| Deposits without a stated maturity | $ 6,957,760 | $ - | $ - | $ - | $ - |
| Certificates of deposit (2) | 874,895 | 459,095 | 340,605 | 75,195 | - |
| Federal funds purchased | 543,623 | 543,623 | - | - | - |
| Subordinated notes payable | 64,707 | - | - | - | 64,707 |
| Operating lease commitments | 12,593 | 2,872 | 4,747 | 2,781 | 2,193 |
| Total | $ 8,453,578 | $ 1,005,590 | $ 345,352 | $ 77,976 | $ 66,900 |

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

**Capital Adequacy**

As of March 31, 2020, our most recent notification from the FDIC categorized us as well-capitalized under the regulatory framework for prompt corrective action. To remain categorized as well-capitalized, we must maintain minimum common equity Tier 1, Tier 1 risk-based, total risk-based, and Tier 1 leverage ratios as disclosed in the table below. Our management believes that we are well-capitalized under the prompt corrective action provisions as of March 31, 2020.

The following table sets forth (i) the capital ratios required by the FDIC and the Alabama Banking Department's leverage ratio requirement and (ii) our actual ratios of capital to total regulatory or risk-weighted assets, as of March 31, 2020, December 31, 2019 and March 31, 2019:

| | Actual | | For Capital Adequacy Purposes | | To Be Well Capitalized Under Prompt Corrective Action Provisions | |
|---|---|---|---|---|---|---|
| | Amount | Ratio | Amount | Ratio | Amount | Ratio |
| As of March 31, 2020: | | | | | | |
| CET 1 Capital to Risk Weighted Assets: | | | | | | |
| Consolidated | $ 849,949 | 10.46% | $ 365,531 | 4.50% | N/A | N/A |
| ServisFirst Bank | 912,858 | 11.24% | 365,460 | 4.50% | $ 527,886 | 6.50% |
| Tier 1 Capital to Risk Weighted Assets: | | | | | | |
| Consolidated | 850,451 | 10.47% | 487,375 | 6.00% | N/A | N/A |
| ServisFirst Bank | 913,360 | 11.25% | 487,280 | 6.00% | 649,706 | 8.00% |
| Total Capital to Risk Weighted Assets: | | | | | | |
| Consolidated | 1,001,072 | 12.32% | 649,833 | 8.00% | N/A | N/A |
| ServisFirst Bank | 999,274 | 12.30% | 649,706 | 8.00% | 812,133 | 10.00% |
| Tier 1 Capital to Average Assets: | | | | | | |
| Consolidated | 850,451 | 9.37% | 363,121 | 4.00% | N/A | N/A |
| ServisFirst Bank | 913,360 | 10.06% | 363,065 | 4.00% | 453,831 | 5.00% |
| As of December 31, 2019: | | | | | | |
| CET 1 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 1 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 1 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 March 31, 2019: | | | | | | |
| CET 1 Capital to Risk Weighted Assets: | | | | | | |
| Consolidated | $ 731,864 | 10.30% | $ 319,875 | 4.50% | N/A | N/A |
| ServisFirst Bank | 796,506 | 11.21% | 319,851 | 4.50% | $ 462,007 | 6.50% |
| Tier 1 Capital to Risk Weighted Assets: | | | | | | |
| Consolidated | 732,366 | 10.30% | 426,500 | 6.00% | N/A | N/A |
| ServisFirst Bank | 797,008 | 11.21% | 426,468 | 6.00% | 568,624 | 8.00% |
| Total Capital to Risk Weighted Assets: | | | | | | |
| Consolidated | 867,748 | 12.21% | 568,667 | 8.00% | N/A | N/A |
| ServisFirst Bank | 838,216 | 12.21% | 568,624 | 8.00% | 710,780 | 10.00% |
| Tier 1 Capital to Average Assets: | | | | | | |
| Consolidated | 732,366 | 9.03% | 324,553 | 4.00% | N/A | N/A |
| ServisFirst Bank | 797,008 | 9.82% | 324,537 | 4.00% | 405,671 | 5.00% |

**Off-Balance Sheet Arrangements**

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

Our exposure to credit loss in the event of non-performance by the other party to such financial instruments is represented by the contractual or notional amount of those instruments. We use the same credit policies in making commitments and conditional obligations as we do for on-balance sheet instruments. As of March 31, 2020, we had reserves of $0.5 million for losses on such off-balance sheet arrangements consistent with guidance in the Federal Reserve Bank's Interagency Policy Statement SR 06-17.

As part of our mortgage operations, we originate and sell certain loans to investors in the secondary market. We continue to experience a manageable level of investor repurchase demands. For loans sold, we have an obligation to either repurchase the outstanding principal balance of a loan or make the purchaser whole for the economic benefits of a loan if it is determined that the loans sold were in violation of representations and warranties made by the Bank at the time of the sale. Representations and warranties typically include those made regarding loans that had missing or insufficient file documentation or loans obtained through fraud by borrowers or other third parties such as appraisers. We had a reserve of $0.4 million as of March 31, 2020 and December 31, 2019 for the settlement of any repurchase demands by investors.

Financial instruments whose contract amounts represent credit risk at March 31, 2020 are as follows:

| | March 31, 2020 (In Thousands) |
|---|---|
| Commitments to extend credit | $ 2,265,133 |
| Credit card arrangements | 247,976 |
| Standby letters of credit | 73,135 |
| | $ 2,586,244 |

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

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

**Results of Operations**

**Summary of Net Income**

Net income and net income available to common stockholders for the three months ended March 31, 2020 was $34.8 million compared to $35.0 million for the three months ended March 31, 2019. The decrease in net income was primarily attributable to a $8.7 million increase in provision for loan losses during the three months ended March 31, 2020 over the amount provided during the same period in 2019. Total noninterest expenses increased by $2.6 million during the three months ended March 31, 2020 compared to expenses during the same period in 2019. Net interest income increased by $8.9 million during the three months ended March 31, 2020 compared to the same period in 2019, mostly the result of growth in total average earning assets and lower interest rates paid on interest-bearing deposits.

Basic and diluted net income per common share were $0.65 and $0.64, respectively, for the three months ended March 31, 2020, compared to $0.65, for both, for the corresponding period in 2019. Return on average assets for the three months ended March 31, 2020 was 1.54% compared to 1.75% for the corresponding period in 2019 and return on average stockholders' equity for the three months ended March 31, 2020 was 16.23% compared to 19.42% for the corresponding period in 2019.

**Net Interest Income**

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

Taxable-equivalent net interest income increased $8.9 million, or 12.9%, to $77.7 million for the three months ended March 31, 2020 compared to $68.8 million for the corresponding period in 2019. This increase was primarily attributable to a $894.1 million increase in average earning assets, or 11.4%, year over year. The taxable-equivalent yield on interest-earning assets decreased from 4.85% to 4.46% year over year. The yield on loans for the three months ended March 31, 2020 was 4.88% compared to 5.25% for the corresponding period in 2019. The cost of total interest-bearing liabilities decreased to 1.19% for the three months ended March 31, 2020 from 1.73% for the corresponding period in 2019. Net interest margin for the three months ended March 31, 2020 increased 2 basis points to 3.58% from 3.56% for the corresponding period in 2019.

The following table shows, for the three months ended March 31, 2020 and March 31, 2019, the average balances of each principal category of our assets, liabilities and stockholders' equity, and an analysis of net interest revenue. The accompanying table reflects changes in our net interest margin as a result of changes in the volume and rate of our interest-earning assets and interest-bearing liabilities for the same periods. Changes as a result of mix or the number of days in the periods have been allocated to the volume and rate changes in proportion to the relationship of the absolute dollar amounts of the change in each. Both tables are presented on a taxable-equivalent basis where applicable:

Average Consolidated Balance Sheets and Net Interest Analysis
On a Fully Taxable-Equivalent Basis
For the Three Months Ended March 31,
(Dollar Amounts In Thousands)

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | Average Balance | Interest Earned / Paid | Average Yield / Rate | Average Balance | Interest Earned / Paid | Average Yield / Rate |
| Assets: | | | | | | |
| Interest-earning assets: | | | | | | |
| Loans, net of unearned income (1) (2) | | | | | | |
| Taxable | $ 7,328,594 | $ 89,076 | 4.89% | $ 6,570,920 | $ 85,233 | 5.26% |
| Tax-exempt (3) | 32,555 | 327 | 4.04 | 30,577 | 287 | 3.81 |
| Total loans, net of unearned income | 7,361,149 | 89,403 | 4.88 | 6,601,497 | 85,520 | 5.25 |
| Mortgage loans held for sale | 4,282 | 23 | 2.16 | 1,614 | 26 | 6.53 |
| Investment securities: | | | | | | |
| Taxable | 750,413 | 5,154 | 2.75 | 518,955 | 3,746 | 2.89 |
| Tax-exempt (3) | 44,029 | 257 | 2.33 | 87,537 | 464 | 2.12 |
| Total investment securities (4) | 794,442 | 5,411 | 2.72 | 606,492 | 4,210 | 2.78 |
| Federal funds sold | 105,423 | 277 | 1.06 | 192,690 | 1,219 | 2.57 |
| Interest-bearing balances with banks | 469,199 | 1,718 | 1.47 | 438,099 | 2,764 | 2.56 |
| Total interest-earning assets | $ 8,734,495 | $ 96,832 | 4.46% | $ 7,840,392 | $ 93,739 | 4.85% |
| Non-interest-earning assets: | | | | | | |
| Cash and due from banks | 66,140 | | | 74,430 | | |
| Net premises and equipment | 58,066 | | | 58,852 | | |
| Allowance for loan losses, accrued interest and other assets | 241,479 | | | 149,941 | | |
| Total assets | $ 9,100,180 | | | $ 8,123,615 | | |
| | | | | | | |
| Liabilities and stockholders' equity: | | | | | | |
| Interest-bearing liabilities: | | | | | | |
| Interest-bearing demand deposits | $ 956,803 | $ 1,346 | 0.57% | $ 942,686 | $ 2,003 | 0.86% |
| Savings deposits | 67,380 | 84 | 0.50 | 54,086 | 73 | 0.55 |
| Money market accounts | 4,061,286 | 11,127 | 1.10 | 3,758,162 | 16,513 | 1.78 |
| Time deposits | 805,924 | 4,188 | 2.09 | 698,976 | 3,556 | 2.06 |
| Total interest-bearing deposits | 5,891,393 | 16,745 | 1.14 | 5,453,910 | 22,145 | 1.65 |
| Federal funds purchased | 492,638 | 1,601 | 1.31 | 312,989 | 1,995 | 2.59 |
| Other borrowings | 64,707 | 781 | 4.85 | 64,671 | 781 | 4.90 |
| Total interest-bearing liabilities | $ 6,448,738 | $ 19,127 | 1.19% | $ 5,831,570 | $ 24,921 | 1.73% |
| Non-interest-bearing liabilities: | | | | | | |
| Non-interest-bearing demand deposits | 1,749,671 | | | 1,524,502 | | |
| Other liabilities | 39,801 | | | 36,362 | | |
| Stockholders' equity | 853,800 | | | 735,611 | | |
| Accumulated other comprehensive income (loss) | 8,170 | | | (4,430) | | |
| Total liabilities and stockholders' equity | $ 9,100,180 | | | $ 8,123,615 | | |
| Net interest income | | $ 77,705 | | | $ 68,818 | |
| Net interest spread | | | 3.27% | | | 3.12% |
| Net interest margin | | | 3.58% | | | 3.56% |

(1) Non-accrual loans are included in average loan balances in all periods. Loan fees of $1,281 and $973 are included in interest income in the first quarter of 2020 and 2019, respectively.

(2) Net accretion on acquired loan discounts of $84 is included in interest income in the first quarter of 2019.

(3) Interest income and yields are presented on a fully taxable equivalent basis using a tax rate of 21%.

(4) Unrealized gains (losses) of $10,282 and $(5,664) are excluded from the yield calculation in the first quarter of 2020 and 2019, respectively.

| | For the Three Months Ended March 31, 2020 Compared to 2019 Increase (Decrease) in Interest Income and Expense Due to Changes in: | | |
|---|---|---|---|
| | Volume | Rate | Total |
| | | (In Thousands) | |
| Interest-earning assets: | | | |
| Loans, net of unearned income | | | |
| Taxable | $ 9,917 | $ (6,074) | $ 3,843 |
| Tax-exempt | 21 | 19 | 40 |
| Total loans, net of unearned income | 9,938 | (6,055) | 3,883 |
| Mortgages held for sale | 23 | (26) | (3) |
| Debt securities: | | | |
| Taxable | 1,628 | (220) | 1,408 |
| Tax-exempt | (247) | 40 | (207) |
| Total debt securities | 1,381 | (180) | 1,201 |
| Federal funds sold | (410) | (532) | (942) |
| Interest-bearing balances with banks | 189 | (1,235) | (1,046) |
| Total interest-earning assets | 11,121 | (8,028) | 3,093 |
| Interest-bearing liabilities: | | | |
| Interest-bearing demand deposits | 30 | (687) | (657) |
| Savings | 17 | (6) | 11 |
| Money market accounts | 1,278 | (6,664) | (5,386) |
| Time deposits | 582 | 50 | 632 |
| Total interest-bearing deposits | 1,907 | (7,307) | (5,400) |
| Federal funds purchased | 857 | (1,251) | (394) |
| Other borrowed funds | - | - | - |
| Total interest-bearing liabilities | 2,764 | (8,558) | (5,794) |
| Increase in net interest income | $ 8,357 | $ 530 | $ 8,887 |

Our growth in loans continues to drive favorable volume component change and overall change. The rate component was favorable as average rates paid on interest-bearing liabilities decreased 54 basis points while loan yields decreased 37 basis points. We repriced our deposits downward following the Federal Reserve's rate cuts during the second half of 2019. Growth in non-interest-bearing deposits and equity also contributed to the increase in net interest revenue during the three months ended March 31, 2020 compared to the same period in 2019.

**Provision for Loan Losses**

The provision for loan losses was $13.6 million for the three months ended March 31, 2020, an increase of $8.7 million from $4.9 million for the three months ended March 31, 2019. Net credit charge-offs to quarter-to-date average loans were 0.26% for the first quarter of 2019, a 10 basis point decrease compared to 0.36% for the fourth quarter of 2019 and a 6 basis point increase compared to 0.20% for the first quarter of 2019. Nonperforming loans decreased to $2.2 million to $33.9 million, or 0.45% of total loans, at March 31, 2020 from $36.1 million, or 0.50% of total loans, at December 31, 2019, and were higher than $27.2 million, or 0.41% of total loans, at March 31, 2019. Impaired loans increased to $60.5 million, or 0.80% of total loans, at March 31, 2020, compared to $43.1 million, or 0.59% of total loans, at December 31, 2019. We have evaluated risk factors related to macroeconomic conditions and uncertainty due to COVID-19 which resulted in additional reserve for loan losses related to external factors of $6.7 million at March 31, 2020. The allowance for loan losses totaled $85.4 million, or 1.13% of total loans, net of unearned income, at March 31, 2020, compared to $70.2 million, or 1.05% of loans, net of unearned income, at December 31, 2019.

**Noninterest Income**

Noninterest income totaled $6.7 million for the three months ended March 31, 2020, an increase of $1.7 million compared to the corresponding period in 2019. Service charges on deposit accounts increased $0.2 million to $1.9 million during the three months ended March 31, 2020 from $1.7 million during the corresponding period in 2019. The number of transaction deposit accounts increased 14.6% from March 31, 2019 to March 31, 2020. Credit card income increased $0.2 million to $1.8 million during the three months ended March 31, 2020 compared to $1.6 million during the corresponding period in 2019. Spending on credit cards increased 29% for the same comparative period. Higher award payout rates offset increased interchange income on credit cards. Income associated with the cash surrender value of bank-owned life insurance increased $691,000 to $1.5 million during the three months ended March 31, 2020 compared to $762,000 during the corresponding period in 2019. We purchased $75.0 million in additional bank-owned life insurance contracts during the second half of 2019.

**Noninterest Expense**

Noninterest expense totaled $27.9 million for the three months ended March 31, 2020, an increase of $2.6 million compared to $25.3 million for the corresponding period in 2019.

Details of expenses are as follows:

- Salary and employee benefit expense increased $1.4 million to $15.7 million for the three months ended March 31, 2020 from $14.3 million for the corresponding period in 2019. We had 492 total employees as of March 31, 2020 compared to 485 as of March 31, 2019, a 1% increase. We will incur additional compensation expenses associated with processing and booking PPP loans during the second quarter of 2020. Such added expenses will be more than offset by the fees received on the PPP loans.

- Equipment and occupancy expense increased $141,000 to $2.4 million for the three months ended March 31, 2020 from $2.3 million for the corresponding period in 2019. We have incurred some additional equipment expenses associated with initiating our pandemic plan. While we believe these expenses are immaterial, we cannot be sure that additional expenses will not be incurred if the impacts of the pandemic extend over a longer period of time.

- Third party processing and other services increased $934,000 to $3.4 million for the three months ended March 31, 2020 from $2.4 million for the corresponding period in 2019. Increases in the number of transaction deposit accounts contributed to an increase in data processing expenses and an increase in the number of correspondent banking accounts and number of transactions in those accounts contributed to increased service charges from the Federal Reserve Bank of Atlanta.

- Professional services decreased $66,000 to $928,000 for the three months ended March 31, 2020 from $994,000 for the corresponding period in 2019.

- FDIC insurance assessments increased $313,000 to $1.3 million for the three months ended March 31, 2020 from $1.0 million for the corresponding period in 2019. Our assessment base increased by 16% year-over-year.

- Expenses related to other real estate owned increased to $601,000 for the three months ended March 31, 2020 from $22,000 for the corresponding period in 2019. This increase was the result of write-downs in value of property based on updated appraisals related to one foreclosed loan relationship in our Nashville region.
- Other operating expenses decreased $702,000 to $3.7 million for the three months ended March 31, 2020 from $4.4 million for the corresponding period in 2019. Write-downs in tax credit investments decreased significantly as our New Market Tax Credit partnerships terminated at the end of 2019. Decreases in travel and entertainment expenses also contributed to the operating expense. We will likely experience decreased travel and entertainment expenses during the second quarter of 2020 as we continue to limit our person-to-person contact with our clients and prospects during the pandemic.

Changes in our non-interest income and expenses, including percentage changes, are detailed in the following table:

| | Three Months Ended March 31, | | | |
|---|---|---|---|---|
| | 2020 | 2019 | $ change | % change |
| | (Dollars In Thousands) | | | |
| Noninterest income: | | | | |
| Service charges on deposit accounts | $ 1,916 | $ 1,702 | $ 214 | 12.6% |
| Mortgage banking | 1,071 | 575 | 496 | 86.3% |
| Credit cards | 1,765 | 1,576 | 189 | 12.0% |
| Increase in cash surrender value life insurance | 1,453 | 762 | 691 | 90.7% |
| Other operating income | 469 | 329 | 140 | 42.6% |
| Total noninterest income | $ 6,674 | $ 4,944 | $ 1,730 | 35.0% |
| Noninterest expense: | | | | |
| Salaries and employee benefits | $ 15,658 | $ 14,265 | $ 1,393 | 9.8% |
| Equipment and occupancy | 2,400 | 2,259 | 141 | 6.2% |
| Third party processing and other services | 3,345 | 2,411 | 934 | 38.7% |
| Professional services | 948 | 994 | (46) | (4.6%) |
| FDIC and other regulatory assessments | 1,332 | 1,019 | 313 | 30.7% |
| Other real estate owned | 601 | 22 | 579 | 2,631.8% |
| Other operating expense | 3,636 | 4,358 | (722) | (16.6%) |
| Total noninterest expense | $ 27,920 | $ 25,328 | $ 2,592 | 10.2% |

**Income Tax Expense**

Income tax expense was $8.0 million for the three months ended March 31, 2020 versus $8.5 million for the same period in 2019. Our effective tax rate for the three months ended March 31, 2020 was 18.76%, compared to 19.53% for the corresponding period in 2019. We recognized excess tax benefits as a credit to our income tax expense from the exercise of stock options and vesting of restricted stock of $1.1 million in the first quarter of 2020, compared to $772,000 in the first quarter of 2019. Our primary permanent differences are related to tax-exempt income on securities, state income tax benefit on real estate investment trust dividends, various qualifying tax credits and change in cash surrender value of bank-owned life insurance. We invested in an additional $75.0 million of bank-owned life insurance contracts during the second half of 2019.

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

**ITEM 6. EXHIBITS**

(a) Exhibit:

31.01 Certification of principal executive officer pursuant to Rule 13a-14(a).
31.02 Certification of principal financial officer pursuant to Rule 13a-14(a).

## SIGNATURES

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

**SERVISFIRST BANCSHARES, INC.**

| | | |
|---|---|---|
| Date: May 20, 2020 | By | /s/ Thomas A. Broughton III<br>Thomas A. Broughton III<br>President and Chief Executive Officer |
| Date: May 20, 2020 | By | /s/ William M. Foshee<br>William M. Foshee<br>Chief Financial Officer |

**Exhibit 31.01**

Section 302 Certification of the CEO

I, Thomas A. Broughton III, certify that:

1. I have reviewed this Amendment 1 to Quarterly Report on Form 10-Q/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: May 20, 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 31.02**

Section 302 Certification of the CFO

I, William M. Foshee, certify that:

1. I have reviewed this Amendment 1 to Quarterly Report on Form 10-Q/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: May 20, 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.