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

FORM 10-Q/A
Amendment No. 1

(Mark one)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 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(g) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common stock, par value $.001 per share	SFBS	The 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 July 27, 2020
Common stock, $.001 par value	53,882,358

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 June 30, 2020, which was filed with the Securities and Exchange Commission on July 31, 2020 (the “Original Filing”). The Company is filing this Amendment solely for the purpose of correcting an error in Item 2 of its Form 10-Q for the quarterly period ended June 30, 2020 in the table setting forth capital ratios required by the FDIC and Alabama Banking Department. Specifically, the Consolidated and ServisFirst Bank Tier 1 Capital to Average Assets Ratios and related amounts for the quarter ended June 30, 2020 have been revised to properly reflect the impact of Paycheck Protection Program loans on our average assets for purposes of calculating these ratios. There were no other changes to the Original Filing.

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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. This discussion is intended to supplement and highlight information contained in the accompanying unaudited consolidated financial statements as of and for the three and six months ended June 30, 2020 and June 30, 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 (the "Exchange Act") 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, our Quarterly Reports on Form 10-Q for fiscal year 2020 and our other SEC filings. If one or more of the factors affecting our forward-looking information and statements proves incorrect, then our actual results, performance or achievements could differ materially from those expressed in, or implied by, forward-looking information and statements contained herein. Accordingly, you should not place undue reliance on any forward-looking statements, which speak only as of the date made. 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 of Second Quarter 2020 Results

As of June 30, 2020, we had consolidated total assets of $11.01 billion, up $2.27 billion, or 26%, when compared to consolidated assets of $8.74 billion at December 31, 2019. Total loans were $8.31 billion at June 30, 2020, up $1.35 billion, or 19%, from $6.97 billion at December 31, 2019. Total deposits were $9.34 billion at June 30, 2020, up $1.94 billion, or 26%, from $7.40 billion at December 31, 2019.

Net income available to common stockholders for the three months ended June 30, 2020 was $40.4 million, an increase of $4.8 million, or 13.5%, from $35.6 million for the corresponding period in 2019. Basic and diluted earnings per common share were $0.75 and $0.75, respectively, for the three months ended June 30, 2020, compared to basic and diluted earnings per common share of $0.67 and $0.66 for the corresponding period in 2019.

Net income available to common stockholders for the six months ended June 30, 2020 was $75.2 million, an increase of $4.6 million, or 6.5%, from $70.6 million for the corresponding period in 2019. Basic and diluted earnings per common share were $1.40 and $1.39, respectively, for the six months ended June 30, 2020, compared to $1.32 and $1.31, respectively, for the corresponding period in 2019.

Critical Accounting Policies

The accounting and financial policies of the Company conform to U.S. generally accepted accounting principles and to general practices within the banking industry. To prepare consolidated financial statements in conformity with U.S. GAAP, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided, and future results could differ. The allowance for loan losses, valuation of foreclosed real estate, deferred taxes, and fair value of financial instruments are particularly subject to change. Information concerning our accounting policies with respect to these items is available in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

Financial Condition

Cash and Cash Equivalents

At June 30, 2020, we had $2.3 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 June 30, 2020, we had $1.30 billion in balances at the Federal Reserve, compared to $61.9 million at December 31, 2019. The increase in balances kept at the Federal Reserve in 2020 result from federal stimulus funds on deposit with us by our customers stemming from the COVID-19 pandemic. We expect these funds to be temporary in nature.

Debt Securities

Debt securities available for sale totaled $856.1 million at June 30, 2020 and $759.4 million at December 31, 2019. Investment securities held to maturity totaled $250,000 at June 30, 2020. We had paydowns of $51.4 million on mortgage-backed securities and government agencies, maturities of $21.2 million on municipal bonds, corporate securities and treasury securities, and calls of $5.9 million on U.S. government agencies and municipal securities during the six months ended June 30, 2020. We purchased $82.6 million in mortgage-backed securities and $86.0 million in corporate securities during the first six months of 2020. For a tabular presentation of debt securities available for sale and held to maturity at June 30, 2020 and December 31, 2019, see "Note 4 – Securities" in our Notes to Consolidated Financial Statements.

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

Each quarter, management assesses whether there have been events or economic circumstances indicating that a security on which there is an unrealized loss is other-than-temporarily impaired. Management considers several factors, including the amount and duration of the impairment; the intent and ability of the Company to hold the security for a period sufficient for a recovery in value; and known recent events specific to the issuer or its industry. In analyzing an issuer's financial condition, management considers whether the securities are issued by agencies of the federal government, whether downgrades by bond rating agencies have occurred, and industry analysts' reports, among other things. As we currently do not have the intent to sell these securities and it is not more likely than not that we will be required to sell these securities before recovery of their amortized cost basis, which may be at maturity, and impairment positions at June 30, 2020 are interest-rate driven, no declines are deemed to be other than temporary. We will continue to evaluate our investment securities for possible other-than-temporary impairment, which could result in non-cash charges to earnings in one or more future periods. All securities held are traded in liquid markets.

The Company does not invest in collateralized debt obligations ("CDOs"). At June 30, 2020, we had $237.4 million of bank holding company subordinated notes. All of these notes 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 at June 30, 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 was $431.0 million and $389.9 million as of June 30, 2020 and December 31, 2019, respectively.

Loans

As of June 30, 2020, there are 244 loans outstanding totaling $342.0 million that have payment deferrals in connection with the COVID-19 relief provided by the CARES Act. Of these 244 payment deferrals, 164 were principal only deferrals totaling $102.4 million, 45 were interest only deferrals totaling $151.1 million and 35 were principal and interest deferrals totaling $88.5 million. The amount of accrued interest related to payment deferrals totaled $6.1 million at June 30, 2020. These 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 had total loans of $8.32 billion at June 30, 2020, an increase of $1.05 billion, or 14.5%, compared to $7.26 billion at December 31, 2019. During the second quarter of 2020 we originated approximately 4,800 PPP loans totaling $1.05 billion. Over 4,000 of these loans have a balance of less than $350,000. The percentage of our loans in each of our regions were as follows:

	Percentage of Total Loans in MSA
Birmingham, AL	39.3%
Huntsville, AL	8.6%
Dothan, AL	8.7%
Montgomery, AL	5.7%
Mobile, AL	6.2%
Total Alabama MSAs	68.5%
Pensacola, FL	6.3%
West Florida (1)	4.8%
Total Florida MSAs	11.1%
Nashville, TN	9.5%
Atlanta, GA	6.5%
Charleston, SC	4.4%

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 ALLL, 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 ALLL 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 June 30, 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 June 30, 2020, total loans rated Special Mention, Substandard, and Doubtful were $141.3 million, or 1.7% 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.

The following table presents a summary of changes in the allowance for loan losses for the three and six months ended June 30, 2020 and 2019:

	As of and for the Three Months Ended June 30,		As of and for the Six Months Ended June 30,	
	2020	2019	2020	2019
	(Dollars in thousands)			
Total loans outstanding, net of unearned income	$ 8,315,375	$ 6,968,886	$ 8,315,375	$ 6,968,886
Average loans outstanding, net of unearned income	$ 8,333,704	$ 6,789,051	$ 7,847,426	$ 6,695,792
Allowance for loan losses at beginning of period	85,414	70,207	76,584	68,600
Charge-offs:				
Commercial, financial and agricultural loans	1,358	3,610	3,998	6,647
Real estate - construction	376	-	830	-
Real estate - mortgage	2,520	169	4,198	219
Consumer loans	62	63	120	281
Total charge-offs	4,316	3,842	9,146	7,147
Recoveries:				
Commercial, financial and agricultural loans	84	117	146	129
Real estate - construction	1	-	2	1
Real estate - mortgage	13	4	14	11
Consumer loans	28	16	40	23
Total recoveries	126	137	202	164
Net charge-offs	4,190	3,705	8,944	6,983
Provision for loan losses	10,283	4,884	23,867	9,769
Allowance for loan losses at period end	$ 91,507	$ 71,386	$ 91,507	$ 71,386
Allowance for loan losses to period end loans	1.10%	1.02%	1.10%	1.02%
Net charge-offs to average loans	0.20%	0.22%	0.23%	0.21%

The following table presents the allocation of the allowance for loan losses for each respective loan category with the corresponding percentage of loans in each category to total loans at June 30, 2020 and December 31, 2019:

June 30, 2020	Amount	Percentage of loans in each category to total loans
	(In Thousands)	
Commercial, financial and agricultural	$ 47,986	42.07%
Real estate - construction	4,531	6.55%
Real estate - mortgage	38,399	50.65%
Consumer	591	0.73%
Total	$ 91,507	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 $22.0 million at June 30, 2020, compared to $36.1 million at December 31, 2019. Of this total, nonaccrual loans of $16.9 million at June 30, 2020 represented a net decrease of $13.2 million from nonaccrual loans at December 31, 2019. Excluding credit card accounts, there were two loans 90 or more days past due and still accruing totaling $5.1 million at June 30, 2020, compared to seven loans totaling $6.0 million at December 31, 2019. Troubled Debt Restructurings ("TDR") at June 30, 2020 and December 31, 2019 were $1.6 million and $3.3 million, respectively.

OREO and repossessed assets decreased to $6.5 million at June 30, 2020, from $8.2 million at December 31, 2019. The following table summarizes OREO and repossessed asset activity for the six months ended June 30, 2020 and 2019:

	Six Months Ended June 30,	
	2020	2019
	(In thousands)	
Balance at beginning of period	$ 8,178	$ 5,169
Transfers from loans and capitalized expenses	1,023	752
Proceeds from sales	(852)	(48)
Internally financed sales	-	-
Write-downs / net gain (loss) on sales	(1,812)	(224)
Balance at end of period	$ 6,537	$ 5,649

The following table summarizes our nonperforming assets and TDRs at June 30, 2020 and December 31, 2019:

	June 30, 2020		December 31, 2019	
	Balance	Number of Loans	Balance	Number of Loans
	(Dollar Amounts In Thousands)			
Nonaccrual loans:				
Commercial, financial and agricultural	$ 13,888	24	$ 14,729	29
Real estate - construction	587	3	1,588	2
Real estate - mortgage:				
Owner-occupied commercial	1,714	5	10,826	3
1-4 family mortgage	683	7	1,440	5
Other mortgage	-	-	1,507	1
Total real estate - mortgage	2,397	12	13,773	9
Consumer	9	1	-	-
Total Nonaccrual loans:	$ 16,881	40	$ 30,090	40
90+ days past due and accruing:				
Commercial, financial and agricultural	$ 248	2	$ 201	3
Real estate - construction	-	-	-	-
Real estate - mortgage:				
Owner-occupied commercial	-	-	-	-
1-4 family mortgage	-	-	873	5
Other mortgage	4,861	1	4,924	1
Total real estate - mortgage	4,861	1	5,797	6
Consumer	24	6	23	8
Total 90+ days past due and accruing:	$ 5,133	9	$ 6,021	17
Total Nonperforming Loans:	$ 22,014	49	$ 36,111	57
Plus: Other real estate owned and repossessions	6,537	11	8,178	12
Total Nonperforming Assets	$ 28,551	60	$ 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	$ 29,526	63	$ 44,914	71
Ratios:				
Nonperforming loans to total loans	0.26%		0.50%	
Nonperforming assets to total loans plus other real estate owned and repossessions	0.34%		0.61%	
Nonperforming assets plus restructured accruing loans to total loans plus other real estate owned and repossessions	0.35%		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.

Impaired Loans and Allowance for Loan Losses

As of June 30, 2020, we had impaired loans of $72.2 million inclusive of nonaccrual loans, an increase of $29.1 million from $43.1 million as of December 31, 2019. This increase is primarily attributable to two commercial relationships newly classified as impaired during the first six months of 2020. Substandard loans are detailed in Note 5, *"Loans"*, within the credit quality indicator table. While total impaired loans have increased, our overall collateral exposure on these impairments has remained consistent. We allocated $9.8 million of our allowance for loan losses at June 30, 2020 to these impaired loans, unchanged compared to 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 $72.2 million of impaired loans reported as of June 30, 2020, $63.5 million were commercial, financial and agricultural loans, $616,000 were real estate construction loans and $8.0 million were real estate mortgage loans.

Deposits

Total deposits were $9.34 billion at June 30, 2020, an increase of $1.8 billion, or 24.1%, over $7.53 billion at December 31, 2019. Increased growth rates during 2020 have been the result of Paycheck Protection Program ("PPP") lending in which our borrowers have retained portions of their proceeds in the Bank. 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 Balance Sheets and Net Interest Analysis on a Fully Taxable-Equivalent Basis" under the subheading "Net Interest Income."

The following table summarizes balances of our deposits and the percentage of each type to the total at June 30, 2020 and December 31, 2019:

	June 30, 2020		December 31, 2019	
Noninterest-bearing demand	$ 2,678,893	28.67%	$ 1,749,879	23.24%
Interest-bearing demand	5,786,886	61.94%	4,986,155	66.21%
Savings	77,387	0.83%	65,808	0.87%
Time deposits , $250,000 and under	277,278	2.97%	267,259	3.55%
Time deposits, over $250,000	422,474	4.52%	461,332	6.13%
Brokered CDs	100,000	1.07%	-	-%
	$ 9,342,918	100.00%	$ 7,530,433	100.00%

Other Borrowings

Our borrowings consist of federal funds purchased and subordinated notes payable. We had $635.6 million and $470.7 million at June 30, 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 June 30, 2020. Other borrowings consist of the following:

- $34.75 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 were to decline due to a run-off in deposits, we have procedures that provide for certain actions under varying liquidity conditions. These actions include borrowing from existing correspondent banks, selling or participating loans, and curtailing loan commitments and funding. At June 30, 2020, liquid assets, which are represented by cash and due from banks, federal funds sold and unpledged available-for-sale securities, totaled $1.99 billion. At June 30, 2020, 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. Additionally, the Bank had $2.73 billion in available lines from the Federal Reserve Bank-Atlanta. $1.68 billion of these lines from the Federal Reserve Bank-Atlanta are collateralized by loans of the Bank. The remaining $1.05 billion are collateralized by PPP loans originated by the Bank. We believe these sources of funding are adequate to meet our anticipated funding needs. Our management meets on a quarterly basis to review sources and uses of funding to determine the appropriate strategy to ensure an appropriate level of liquidity. At the current time, our long-term liquidity needs primarily relate to funds required to support loan originations and commitments and deposit withdrawals. Our regular sources of funding are from the growth of our deposit base, correspondent banking relationships and related federal funds purchased, repayment of principal and interest on loans, the sale of loans and the renewal of time deposits. In addition, we have issued debt as described above under “Other Borrowings”.

We are subject to general FDIC guidelines that require a minimum level of liquidity. Management believes our liquidity ratios meet or exceed these guidelines. Our management is not currently aware of any trends or demands that are reasonably likely to result in liquidity materially increasing or decreasing. 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 June 30, 2020. The amounts shown do not reflect any early withdrawal or prepayment assumptions.

	Payments due by Period				
	Total	1 year or less	Over 1 - 3 years	Over 3 - 5 years	Over 5 years
	(In Thousands)				
Contractual Obligations (1)					
Deposits without a stated maturity	$ 8,464,353	$ -	$ -	$ -	$ -
Certificates of deposit (2)	778,565	443,718	273,236	61,611	-
Brokered certificates of deposit	100,000	50,000	50,000		
Federal funds purchased	635,606	635,606	-	-	-
Subordinated debentures	64,750	-	-	-	64,750
Operating lease commitments	11,833	1,515	4,813	3,080	2,425
Total	$ 10,055,107	$ 1,130,839	$ 328,049	$ 64,691	$ 67,175

(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

Total stockholders’ equity attributable to us at June 30, 2020 was $914.6 million, or 8.30% of total assets. At December 31, 2019, total stockholders’ equity attributable to us was $842.2 million, or 9.41% of total assets.

As of June 30, 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 total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios.

The final rules implementing the Basel Committee on Banking Supervision's capital guidelines for U.S. banks (Basel III 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 is also 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 became fully effective on January 1, 2019. As of January 1, 2019, an additional amount of Tier 1 common equity equal to 2.5% of risk-weighted assets is required for compliance with the capital conservation buffer. The ratios for the Company and the Bank are currently sufficient to satisfy the fully phased-in conservation buffer.

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, not including the capital conservation buffer, of capital to total regulatory or risk-weighted assets, as of June 30, 2020, December 31, 2019 and June 30, 2019:

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in Thousands)					
As of June 30, 2020:						
CET 1 Capital to Risk-Weighted Assets:						
Consolidated	$ 881,539	11.26%	$ 352,327	4.50%	N/A	N/A
ServisFirst Bank	943,578	12.06%	352,219	4.50%	$ 508,761	6.50%
Tier 1 Capital to Risk-Weighted Assets:						
Consolidated	882,041	11.27%	469,769	6.00%	N/A	N/A
ServisFirst Bank	944,080	12.06%	469,625	6.00%	626,167	8.00%
Total Capital to Risk-Weighted Assets:						
Consolidated	1,038,763	13.27%	626,359	8.00%	N/A	N/A
ServisFirst Bank	1,036,087	13.24%	626,167	8.00%	782,709	10.00
Tier 1 Capital to Average Assets:						
Consolidated	882,041	8.46%	417,188	4.00%	N/A	N/A
ServisFirst Bank	944,080	9.06%	416,980	4.00%	521,225	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 June 30, 2019:						
CET 1 Capital to Risk-Weighted Assets:						
Consolidated	$ 759,998	10.18%	$ 335,955	4.50%	N/A	N/A
ServisFirst Bank	823,912	11.04%	335,942	4.50%	$ 485,249	6.50%
Tier 1 Capital to Risk-Weighted Assets:						
Consolidated	760,500	10.19%	447,940	6.00%	N/A	N/A
ServisFirst Bank	824,414	11.04%	447,922	6.00%	597,230	8.00%
Total Capital to Risk-Weighted Assets:						
Consolidated	897,070	12.02%	597,254	8.00%	N/A	N/A
ServisFirst Bank	896,300	12.01%	597,230	8.00%	746,537	10.00%
Tier 1 Capital to Average Assets:						
Consolidated	760,500	9.00%	338,030	4.00%	N/A	N/A
ServisFirst Bank	824,414	9.76%	338,016	4.00%	422,520	5.00%

We are a legal entity separate and distinct from the Bank. Our principal source of cash flow, including cash flow to pay dividends to our stockholders, is dividends the Bank pays to us as the Bank's sole shareholder. Statutory and regulatory limitations apply to the Bank's payment of dividends to us as well as to our payment of dividends to our stockholders. The requirement that a bank holding company must serve as a source of strength to its subsidiary banks also results in the position of the Federal Reserve that a bank holding company should not maintain a level of cash dividends to its stockholders that places undue pressure on the capital of its bank subsidiaries or that can be funded only through additional borrowings or other arrangements that may undermine the Bank holding company's ability to serve as such a source of strength. Our ability to pay dividends is also subject to the provisions of Delaware corporate law.

The Alabama Banking Department also regulates the Bank's dividend payments. Under Alabama law, a state-chartered bank may not pay a dividend in excess of 90% of its net earnings until the Bank's surplus is equal to at least 20% of its capital (our Bank's surplus currently exceeds 20% of its capital). Moreover, our Bank is also required by Alabama law to obtain the prior approval of the Superintendent of Banks ("Superintendent") for its payment of dividends if the total of all dividends declared by the Bank in any calendar year will exceed the total of (i) the Bank's net earnings (as defined by statute) for that year, plus (ii) its retained net earnings for the preceding two years, less any required transfers to surplus. In addition, no dividends, withdrawals or transfers may be made from the Bank's surplus without the prior written approval of the Superintendent.

The Bank's payment of dividends may also be affected or limited by other factors, such as the requirement to maintain adequate capital above regulatory guidelines. The federal banking agencies have indicated that paying dividends that deplete a depository institution's capital base to an inadequate level would be an unsafe and unsound banking practice. Under the Federal Deposit Insurance Corporation Improvement Act of 1991, a depository institution may not pay any dividends if payment would cause it to become undercapitalized or if it already is undercapitalized. Moreover, the federal agencies have issued policy statements that provide that bank holding companies and insured banks should generally only pay dividends out of current operating earnings. If, in the opinion of the federal banking regulators, the Bank were engaged in or about to engage in an unsafe or unsound practice, the federal banking regulators could require, after notice and a hearing, that the Bank stop or refrain from engaging in the questioned practice.

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 June 30, 2020, we have reserved $500,000 for losses on such off-balance sheet arrangements consistent with guidance in the FRB'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 $370,000 as of June 30, 2020 and December 31, 2019 for the settlement of any repurchase demands by investors.

Financial instruments whose contract amounts represent credit risk at June 30, 2020 and December 31, 2019 are as follows:

	June 30, 2020 (In Thousands)	December 31, 2019 (In Thousands)
Commitments to extend credit	$ 2,505,241	$ 2,303,788
Credit card arrangements	270,218	248,617
Standby letters of credit	65,585	48,394
	$ 2,841,044	$ 2,600,799

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

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

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

Results of Operations

Summary of Net Income

Net income and net income available to common stockholders for the three months ended June 30, 2020 was $40.4 million compared to net income and net income available to common stockholders of $35.6 million, respectively, for the three months ended June 30, 2019. Net income and net income available to common stockholders for the six months ended June 30, 2020 was $75.2 million compared to net income and net income available to common stockholders of $70.6 million for the six months ended June 30, 2019. The increase in net income for the three months ended June 30, 2020 over the same period in 2019 was primarily attributable to a $13.1 million increase in net interest income resulting from a $1.9 billion increase in average earning assets, and a $1.3 million increase in non-interest income, led by increased mortgage banking revenue. The same key drivers contributed to the increase in net income for the six months ended June 30, 2020 compared to 2019 resulting in a $22.0 million increase in net interest income on a $1.4 billion increase in average earning assets, and a $3.0 million increase in non-interest income. Increases in non-interest expense of $2.8 million and $5.4 million and increases in income tax expense of $1.4 million and $929,000, respectively, for the three and six months ended June 30, 2020 compared to 2019 partially offset increases in income.

Basic and diluted net income per common share were $0.75 for the three months ended June 30, 2020, compared to $0.67 and $0.66, respectively, for the corresponding period in 2019. Basic and diluted net income per common share were $1.40 and $1.39, respectively, for the six months ended June 30, 2020, compared to $1.32 and $1.31, respectively, for the corresponding period in 2019. Return on average assets for the three and six months ended June 30, 2020 was 1.55% and 1.54%, respectively, compared to 1.69% and 1.72%, respectively, for the corresponding periods in 2019. Return on average common stockholders' equity for the three and six months ended June 30, 2020 was 18.40% and 17.31%, respectively, compared to 18.72% and 19.06%, respectively, for the corresponding periods in 2019.

Net Interest Income and Net Interest Margin Analysis

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 $13.2 million, or 18.8%, to $83.3 million for the three months ended June 30, 2020 compared to $70.1 million for the corresponding period in 2019, and increased $22.1 million, or 15.9%, to $161.0 million for the six months ended June 30, 2020 compared to $138.9 million for the corresponding period in 2019. This increase was primarily attributable to growth in average earning assets, which increased $1.91 billion, or 23.3%, from the second quarter of 2019 to the second quarter of 2020, and $1.40 billion, or 17.5%, from the six months ended June 30, 2019 to the same period in 2020. The taxable-equivalent yield on interest-earning assets decreased to 3.80% for the three months ended June 30, 2020 from 4.80% for the corresponding period in 2019, and decreased to 4.10% for the six months ended June 30, 2020 from 4.82% for the corresponding period in 2019. The yield on loans for the three months ended June 30, 2020 was 4.31% compared to 5.23% for the corresponding period in 2019, and 4.58% compared to 5.24% for the six months ended June 30, 2020 and June 30, 2019, respectively. The cost of total interest-bearing liabilities decreased to 0.69% for the three months ended June 30, 2020 compared to 1.83% for the corresponding period in 2019, and decreased to 0.94% for the six months ended June 30, 2020 from 1.78% for the corresponding period in 2019. Net interest margin for the three months ended June 30, 2020 was 3.32% compared to 3.44% for the corresponding period in 2019, and 3.44% for the six months ended June 30, 2020 compared to 3.50% for the corresponding period in 2019.

The following tables show, for the three and six months ended June 30, 2020 and June 30, 2019, the average balances of each principal category of our assets, liabilities and stockholders' equity, and an analysis of net interest revenue. The accompanying tables reflect changes in our net interest margin as a result of changes in the volume and rate of our interest-earning assets and interest-bearing liabilities for the same periods. Changes as a result of mix or the number of days in the periods have been allocated to the volume and rate changes in proportion to the relationship of the absolute dollar amounts of the change in each. The tables are presented on a taxable-equivalent basis where applicable:

Average Balance Sheets and Net Interest Analysis
On a Fully Taxable-Equivalent Basis
For the Three Months Ended June 30,
(In thousands, except Average Yields and Rates)

	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	$ 8,301,775	$ 89,042	4.31%	$ 6,756,927	$ 88,280	5.24%
Tax-exempt (3)	31,929	327	4.12	32,124	307	3.83
Total loans, net of unearned income	8,333,704	89,369	4.31	6,789,051	88,587	5.23
Mortgage loans held for sale	13,278	69	2.09	5,208	50	3.85
Investment securities:						
Taxable	761,575	5,092	2.67	565,491	4,192	2.97
Tax-exempt (3)	38,201	250	2.62	77,364	406	2.10
Total investment securities (4)	799,776	5,342	2.67	642,855	4,598	2.86
Federal funds sold	83,274	33	0.16	323,714	1,998	2.48
Interest-bearing balances with banks	849,549	360	0.17	411,481	2,593	2.53
Total interest-earning assets	$ 10,079,581	$ 95,173	3.80	$ 8,172,309	$ 97,826	4.80
Non-interest-earning assets:						
Cash and due from banks	76,212			76,988		
Net fixed assets and equipment	57,446			58,607		
Allowance for loan losses, accrued interest and other assets	248,702			156,264		
Total assets	$ 10,461,941			$ 8,464,168		
Liabilities and stockholders' equity:						
Interest-bearing liabilities:						
Interest-bearing demand deposits	$ 992,848	$ 875	0.35%	$ 909,847	$ 2,004	0.88%
Savings deposits	72,139	75	0.42	54,391	77	0.57
Money market accounts	4,285,907	5,555	0.52	3,932,459	18,418	1.88
Time deposits	877,448	4,251	1.95	694,414	3,741	2.16
Total interest-bearing deposits	6,228,342	10,756	0.69	5,591,111	24,240	1.74
Federal funds purchased	572,990	310	0.22	418,486	2,681	2.57
Other borrowings	64,711	781	4.85	64,680	781	4.84
Total interest-bearing liabilities	$ 6,866,043	$ 11,847	0.69%	$ 6,074,277	$ 27,702	1.83%
Non-interest-bearing liabilities:						
Non-interest-bearing demand deposits	2,646,030			1,591,722		
Other liabilities	69,061			35,161		
Stockholders' equity	862,500			763,742		
Accumulated other comprehensive loss	18,307			(734)		
Total liabilities and stockholders' equity	$ 10,461,941			$ 8,464,168		
Net interest income		$ 83,326			$ 70,124	
Net interest spread			3.11%			2.97%
Net interest margin			3.32%			3.44%

(1) Non-accrual loans are included in average loan balances in all periods. Loan fees of $3,650 and $914 are included in interest income in the second quarter of 2020 and 2019, respectively. Loan fees in 2020 include amortization of PPP loan fees.
(2) Net accretion on acquired loan discounts of $53 is included in interest income in the second 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 $133 and $(985) are excluded from the yield calculation in the second quarter of 2020 and 2019, respectively.

	For the Three Months Ended June 30, 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	$ 17,985	$ (17,223)	$ 762
Tax-exempt	(2)	22	20
Total loans, net of unearned income	17,983	(17,201)	782
Mortgages held for sale	50	(31)	19
Debt securities:			
Taxable	1,332	(432)	900
Tax-exempt	(240)	84	(156)
Total debt securities	1,092	(348)	744
Federal funds sold	(870)	(1,095)	(1,965)
Interest-bearing balances with banks	1,381	(3,614)	(2,233)
Total interest-earning assets	19,636	(22,289)	(2,653)
Interest-bearing liabilities:			
Interest-bearing demand deposits	167	(1,296)	(1,129)
Savings	21	(23)	(2)
Money market accounts	1,513	(14,376)	(12,863)
Time deposits	906	(396)	510
Total interest-bearing deposits	2,607	(16,091)	(13,484)
Federal funds purchased	725	(3,096)	(2,371)
Other borrowed funds	-	-	-
Total interest-bearing liabilities	3,332	(19,187)	(15,855)
Increase in net interest income	$ 16,304	$ (3,102)	$ 13,202

Decreases in average yields on loans drive unfavorable rate component. PPP loans originated during the second quarter of 2020 carry an interest rate of 1.00%, well below the average yield on other loans. However, this lower yield is offset by the accretion of net origination fees paid by the Small Business Administration on PPP loans. Decreases in average rates paid on interest-bearing deposits drive favorable rate component change. Growth in average loans, noninterest bearing deposits and equity drive favorable volume component change and overall change.

Average Balance Sheets and Net Interest Analysis
On a Fully Taxable-Equivalent Basis
For the Six Months Ended June 30,
(In thousands, except Average Yields and Rates)

	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	$ 7,815,184	$ 178,119	4.58%	$ 6,664,437	$ 173,515	5.25%
Tax-exempt (3)	32,242	654	4.08	31,355	592	3.81
Total loans, net of unearned income	7,847,426	178,773	4.58	6,695,792	174,107	5.24
Mortgage loans held for sale	8,780	93	2.13	3,421	76	4.48
Investment securities:						
Taxable	755,994	10,246	2.73	542,351	7,939	2.95
Tax-exempt (3)	41,115	507	2.48	82,423	870	2.13
Total investment securities (4)	797,109	10,753	2.71	624,774	8,809	2.84
Federal funds sold	94,348	311	0.66	258,564	3,217	2.51
Interest-bearing balances with banks	659,374	2,078	0.63	424,841	5,357	2.54
Total interest-earning assets	$ 9,407,037	$ 192,008	4.10%	$ 8,007,392	$ 191,566	4.82%
Non-interest-earning assets:						
Cash and due from banks	71,176			75,592		
Net fixed assets and equipment	57,756			58,729		
Allowance for loan losses, accrued interest and other assets	246,673			153,120		
Total assets	$ 9,782,642			$ 8,294,833		
Liabilities and stockholders' equity:						
Interest-bearing liabilities:						
Interest-bearing demand deposits	$ 974,826	$ 2,220	0.46%	$ 926,176	$ 4,007	0.87%
Savings deposits	69,759	159	0.46	54,239	149	0.55
Money market accounts	4,173,597	16,682	0.80	3,845,792	34,932	1.83
Time deposits	841,686	8,439	2.02	696,682	7,297	2.11
Total interest-bearing deposits	6,059,868	27,500	0.91	5,522,889	46,385	1.69
Federal funds purchased	532,814	1,910	0.72	366,029	4,676	2.58
Other borrowings	64,709	1,562	4.85	64,675	1,562	4.87
Total interest-bearing liabilities	$ 6,657,391	$ 30,972	0.94%	$ 5,953,593	$ 52,623	1.78%
Non-interest-bearing liabilities:						
Non-interest-bearing demand deposits	2,197,850			1,558,783		
Other liabilities	56,013			35,275		
Stockholders' equity	858,150			749,754		
Accumulated other comprehensive (loss)	13,238			(2,572)		
Total liabilities and stockholders' equity	$ 9,782,642			$ 8,294,833		
Net interest income		$ 161,036			$ 138,943	
Net interest spread			3.16%			3.04%
Net interest margin			3.44%			3.50%

(1) Non-accrual loans are included in average loan balances in all periods. Loan fees of $4,930 and $1,887 are included in interest income in 2020 and 2019, respectively. Loan fees in 2020 include amortization of PPP loan fees.
(2) Accretion on acquired loan discounts of $91 are included in interest income in 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 $231 and $(3,311) are excluded from the yield calculation in 2020 and 2019, respectively.

	For the Six Months Ended June 30, 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	$ 28,123	$ (23,519)	$ 4,604
Tax-exempt	18	44	62
Total loans, net of unearned income	28,141	(23,475)	4,666
Mortgages held for sale	73	(56)	17
Debt securities:			
Taxable	2,954	(647)	2,307
Tax-exempt	(490)	127	(363)
Total debt securities	2,464	(520)	1,944
Federal funds sold	(1,346)	(1,560)	(2,906)
Interest-bearing balances with banks	2,029	(5,308)	(3,279)
Total interest-earning assets	31,361	(30,919)	442
Interest-bearing liabilities:			
Interest-bearing demand deposits	202	(1,989)	(1,787)
Savings	39	(29)	10
Money market accounts	2,778	(21,028)	(18,250)
Time deposits	1,483	(341)	1,142
Total interest-bearing deposits	4,502	(23,387)	(18,885)
Federal funds purchased	1,546	(4,312)	(2,766)
Other borrowed funds	2	(2)	-
Total interest-bearing liabilities	6,050	(27,701)	(21,651)
Increase in net interest income	$ 25,311	$ (3,218)	$ 22,093

Decreases in the average rates paid on interest-bearing deposits drive favorable rate component change. Decreases in average yields on loans drive unfavorable rate component while growth in loans, non-interest-bearing deposits and average equity continues to drive favorable volume component change and overall change.

Provision for Loan Losses

The provision for loan losses was $10.3 million for the three months ended June 30, 2020, an increase of $5.4 million from $4.9 million for the three months ended June 30, 2019, and was $23.9 million for the six months ended June 30, 2020, a $14.1 million increase compared to $9.8 million for the six months ended June 30, 2019. Annualized net credit charge-offs to quarter-to-date average loans decreased two basis points to 20% for the second quarter of 2020 compared to 0.22% for the corresponding period in 2019 and increased two basis points to 0.23% for the six months ended June 30, 2020 compared to 0.21% for the corresponding period in 2019. Nonperforming loans decreased to $22.0 million, or 0.26% of total loans, at June 30, 2020 from $36.1 million, or 0.50% of total loans, at December 31, 2019, and were $32.1 million, or 0.46% of total loans, at June 30, 2019. Impaired loans increased to $72.2 million, or 0.87% of total loans, at June 30, 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 $15.7 million at June 30, 2020. The allowance for loan losses totaled $91.5 million, or 1.10% of total loans, net of unearned income, at June 30, 2020, compared to $76.6 million, or 1.02% of loans, net of unearned income, at December 31, 2019.

Noninterest Income

Noninterest income totaled $7.0 million for the three months ended June 30, 2020, an increase of $1.2 million, or 21.7%, compared to the corresponding period in 2019, and totaled $13.7 million for the six months ended June 30, 2020, an increase of $3.0 million, or 51.7%, compared to the corresponding period in 2019. Mortgage banking income increased $1.0, or 93.8%, to $2.1 million for the three months ended June 30, 2020 compared to $1.1 million for the same period in 2019, and increased $1.5 million, or 91.2%, to $3.2 million for the six months ended June 30, 2020 compared to $1.7 million for the same period in 2019. The number of loans originated for sale during the first half of 2020 increased approximately 61.3% when compared to the same period in 2019. Credit card income decreased $343,000 to $1.4 million for the three months ended June 30, 2020 compared to $1.7 million for the same period in 2019, and decreased $154,000 to $3.2 million for the six months ended June 30, 2020 compared to $3.3 million for the same period in 2019. The amount of spend on purchase cards increased $20.5 million while the amount of spend on business credit cards decreased $14.3 million during the second quarter of 2020 when compared to the second quarter of 2019. Purchase card spend carries lower profit margins than credit cards due to their higher rebates.

Noninterest Expense

Noninterest expense totaled $28.8 million for the three months ended June 30, 2020, an increase of $2.8 million, or 10.7%, compared to $26.0 million for the same period in 2019, and totaled $56.7 million for the six months ended June 30, 2020, an increase of $5.4 million, or 10.5%, compared to $51.3 million for the same period in 2019.

Details of expenses are as follows:

- Salary and benefit expense increased $1.5 million, or 10.1%, to $15.8 million for the three months ended June 30, 2020 from $14.3 million for the same period in 2019, and increased $2.8 million, or 9.9%, to $31.4 million for the six months ended June 30, 2020 from $28.6 million for the same period in 2019. Total employees decreased from 495 as of June 30, 2019 to 492 as of June 30, 2020.

- Equipment and occupancy expense increased $147,000, or 6.4%, to $2.4 million for the three months ended June 30, 2020 from $2.3 million for the corresponding period in 2019, and increased $288,000, or 6.3%, to $4.8 million from $4.5 million for the six months ended June 30, 2020 compared to the corresponding period in 2019.

- Third party processing and other services increased $789,000, or 29.0%, to $3.5 million for the three months ended June 30, 2020 from $2.3 million for the corresponding period in 2019, and increased $1.7 million, or 33.6%, to $6.8 million from $5.1 million for the six months ended June 30, 2020 compared to the corresponding period in 2019. Limited-term licenses were added to our loan origination systems to enable more employees to assist customers with their PPP loans. These licenses added $514,000 to third party processing expenses during the second quarter of 2020.

- Professional services expense decreased $100,000, or 8.4%, to $1.1 million for the three months ended June 30, 2020 compared to the same period in 2019, and decreased $146,000 or 6.7%, to $2.0 million for the six months ended June 30, 2020 compared to the same period in 2019.

- FDIC and other regulatory assessments decreased $486,000 to $595,000 for the three months ended June 30, 2020 compared to the same period in 2019, and decreased $173,000 to $1.9 million for the six months ended June 30, 2020 compared to the same period in 2019. Lower growth in assets during the second quarter of 2020, excluding PPP loans, resulted in us adjusting our accrual for assessments to be paid at the end of the third quarter of 2020.

- OREO expense increased $1.1 million, or 515%, to $1.3 million for the three months ended June 30, 2020 compared to the same period in 2019, and increased $1.7 million, or 714%, to $1.9 million for the six months ended June 30, 2020 compared to the same period in 2019. Updated appraisals resulted in write-downs in values on two properties in our Birmingham, Alabama market.

- Other operating expenses decreased $100,000, or 2.4%, to $4.1 million for the three months ended June 30, 2020 compared to the same period in 2019, and decreased $822,000, or 9.6%, to $7.7 million for the six months ended June 30, 2020 compared to the same period in 2019.

The following table presents our non-interest income and non-interest expense for the three and six month periods ending June 30, 2020 compared to the same periods in 2019.

	Three Months Ended June 30,				Six Months Ended June 30,			
	2020	2019	$ change	% change	2020	2019	$ change	% change
Non-interest income:								
Service charges on deposit accounts	$ 1,823	$ 1,786	$ 37	2.1%	$ 3,739	$ 3,488	$ 251	7.2%
Mortgage banking	2,107	1,087	1,020	93.8%	3,178	1,662	1,516	91.2%
Credit card income	1,398	1,741	(343)	(19.7%)	3,163	3,317	(154)	(4.6%)
Securities gains	-	(6)	6	(100.0%)	-	(6)	6	(100.0%)
Increase in cash surrender value life insurance	1,464	778	686	88.2%	2,917	1,540	1,377	89.4%
Other operating income	241	392	(151)	(38.5%)	710	721	(11)	(1.5%)
Total non-interest income	$ 7,033	$ 5,778	$ 1,255	21.7%	$ 13,707	$ 10,722	$ 2,985	27.8%
Non-interest expense:								
Salaries and employee benefits	$ 15,792	$ 14,339	$ 1,453	10.1%	$ 31,450	$ 28,604	$ 2,846	9.9%
Equipment and occupancy expense	2,434	2,287	147	6.4%	4,834	4,546	288	6.3%
Third party processing and other services	3,513	2,724	789	29.0%	6,858	5,135	1,723	33.6%
Professional services	1,091	1,191	(100)	(8.4%)	2,039	2,185	(146)	(6.7%)
FDIC and other regulatory assessments	595	1,081	(486)	(45.0%)	1,927	2,100	(173)	(8.2%)
OREO expense	1,303	212	1,091	514.6%	1,904	234	1,670	713.7%
Other operating expense	4,088	4,188	(100)	(2.4%)	7,724	8,546	(822)	(9.6%)
Total non-interest expense	$ 28,816	$ 26,022	$ 2,794	10.7%	$ 56,736	$ 51,350	$ 5,386	10.5%

Income Tax Expense

Income tax expense was $10.7 million for the three months ended June 30, 2020 compared to $9.3 million for the same period in 2019, and was $18.8 million for the six months ended June 30, 2020 compared to $17.8 million for the same period in 2019. Our effective tax rate for the three and six months ended June 30, 2020 was 21.0% and 20.0%, respectively, compared to 20.7% and 20.2% for the corresponding periods in 2019, respectively. We recognized excess tax benefits as a credit to our income tax expense from the exercise and vesting of stock options and restricted stock during the three and six months ended June 30, 2020 of $136,000 and $1.2 million, respectively, compared to $186,000 and $958,000 during the three and six months ended June 30, 2019, respectively. 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 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

Exhibit:	Description
31.01	Certification of principal executive officer pursuant to Rule 13a-14(a).
31.02	Certification of principal financial officer pursuant to Rule 13a-14(a).
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

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

SERVISFIRST BANCSHARES, INC.

Date: August 31, 2020	By	/s/ Thomas A. Broughton III Thomas A. Broughton III President and Chief Executive Officer
Date: August 31, 2020	By	/s/ William M. Foshee William M. Foshee Chief Financial Officer

Exhibit 31.01

Section 302 Certification of the CEO

I, Thomas A. Broughton III, certify that:

1. I have reviewed this 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: August 31, 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: August 31, 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.