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

FORM 10-Q

(Mark one)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2022

☐ **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 each exchange on which registered
Common stock, par value $.001 per share	SFBS	New York Stock Exchange

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 Exchange Act). Yes ☐ No ☒

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

Class	Outstanding as of October 27, 2022
Common stock, $.001 par value	54,324,375

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PART 1. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

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

	September 30, 2022 (Unaudited)	December 31, 2021 (1)
ASSETS		
Cash and due from banks	$ 249,051	$ 56,934
Interest-bearing balances due from depository institutions	156,959	4,106,790
Federal funds sold	82,316	58,372
Cash and cash equivalents	488,326	4,222,096
Available for sale debt securities, at fair value	665,763	842,570
Held to maturity debt securities (fair value $942,282 at September 30, 2022 and $466,286 at December 31, 2021)	1,048,840	462,957
Restricted equity securities	7,734	7,311
Mortgage loans held for sale	2,003	1,114
Loans	11,278,614	9,532,934
Less allowance for credit losses	(140,967)	(116,660)
Loans, net	11,137,647	9,416,274
Premises and equipment, net	59,080	60,300
Accrued interest and dividends receivable	39,946	34,831
Deferred tax asset, net	54,599	37,772
Other real estate owned and repossessed assets	1,245	1,208
Bank owned life insurance contracts	286,152	283,074
Goodwill and other identifiable intangible assets	13,615	13,638
Other assets	85,080	65,661
Total assets	$ 13,890,030	$ 15,448,806
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Non-interest-bearing demand	$ 3,661,936	$ 4,799,767
Interest-bearing	7,389,979	7,653,069
Total deposits	11,051,915	12,452,836
Federal funds purchased	1,466,322	1,711,777
Other borrowings	64,721	64,706
Accrued interest and dividends payable	14,881	13,619
Other liabilities	49,602	53,853
Total liabilities	12,647,441	14,296,791
Stockholders' equity:		
Preferred stock, par value $0.001 per share; 1,000,000 authorized and undesignated at September 30, 2022 and December 31, 2021	-	-
Common stock, par value $0.001 per share; 200,000,000 shares authorized, 54,324,007 shares issued and outstanding at September 30, 2022; and 100,000,000 shares authorized, 54,227,060 shares issued and outstanding at December 31, 2021	54	54
Additional paid-in capital	228,738	226,397
Retained earnings	1,057,387	911,008
Accumulated other comprehensive (loss) income	(44,090)	14,056
Total stockholders' equity attributable to ServisFirst Bancshares, Inc.	1,242,089	1,151,515
Noncontrolling interest	500	500
Total stockholders' equity	1,242,589	1,152,015
Total liabilities and stockholders' equity	$ 13,890,030	$ 15,448,806

(1) Derived from audited financial statements.

See Notes to Consolidated Financial Statements.

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

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Interest income:				
Interest and fees on loans	$ 131,375	$ 96,119	$ 345,767	$ 285,373
Taxable securities	11,089	6,544	29,827	18,666
Nontaxable securities	30	62	110	255
Federal funds sold	632	4	738	11
Other interest and dividends	6,173	1,507	12,600	3,046
Total interest income	149,299	104,236	389,042	307,351
Interest expense:				
Deposits	13,655	6,581	25,925	20,298
Borrowed funds	9,226	1,335	14,609	3,700
Total interest expense	22,881	7,916	40,534	23,998
Net interest income	126,418	96,320	348,508	283,353
Provision for credit losses	15,603	5,963	30,472	23,066
Net interest income after provision for credit losses	110,815	90,357	318,036	260,287
Noninterest income:				
Service charges on deposit accounts	1,892	1,727	6,167	5,542
Mortgage banking	784	1,423	1,924	6,869
Credit card income	2,612	2,043	7,656	5,147
Securities (losses) gains	-	-	(6,168)	620
Increase in cash surrender value life insurance	1,637	1,671	4,878	5,012
Other operating income	2,014	1,162	11,936	2,897
Total noninterest income	8,939	8,026	26,393	26,087
Noninterest expenses:				
Salaries and employee benefits	19,687	17,995	58,722	50,425
Equipment and occupancy expense	3,140	2,996	9,056	8,494
Third party processing and other services	7,213	4,144	19,163	11,506
Professional services	1,036	948	3,355	2,978
FDIC and other regulatory assessments	975	1,630	3,254	4,637
OREO expense	21	123	56	820
Other operating expenses	10,613	6,541	26,118	15,740
Total noninterest expenses	42,685	34,377	119,724	94,600
Income before income taxes	77,069	64,006	224,705	191,774
Provision for income taxes	13,038	11,507	40,925	37,793
Net income	64,031	52,499	183,780	153,981
Preferred stock dividends	-	-	31	31
Net income available to common stockholders	$ 64,031	$ 52,499	$ 183,749	$ 153,950
Basic earnings per common share	$ 1.18	$ 0.97	$ 3.38	$ 2.84
Diluted earnings per common share	$ 1.17	$ 0.96	$ 3.37	$ 2.83

See Notes to Consolidated Financial Statements.

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

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Net income	$ 64,031	$ 52,499	$ 183,780	$ 153,981
Other comprehensive loss, net of tax:				
Unrealized net holding losses arising during period from securities available for sale, net of tax of $(5,707) and $(18,409) for the three and nine months ended September 30, 2022, respectively, and net of tax of $(1,798) and $(1,844) for the three and nine months ended September 30, 2021, respectively	(21,471)	(6,764)	(62,301)	(6,937)
Amortization of net unrealized gains on securities transferred from available-for-sale to held-to-maturity, net of tax of $(70) and $(320) for three and nine months ended September 30, 2022, respectively, and net of tax of $(36) for the three and nine months ended September 30, 2021	(262)	(136)	(1,208)	(136)
Reclassification adjustment for securities transferred from available-for-sale to held-to-maturity net of tax of $1,480 for the three and nine months ended September 30, 2021	-	5,705	-	5,705
Net losses on sales of securities, net of tax of $1,425 for nine months ended September 30, 2022, and net (gain) on call of securities, net of tax of $(130) for nine months ended September 30, 2021 reclassified from other comprehensive income into net income	-	-	5,363	(490)
Other comprehensive loss, net of tax	(21,733)	(1,195)	(58,146)	(1,858)
Comprehensive income	$ 42,298	$ 51,304	$ 125,634	$ 152,123

See Notes to Consolidated Financial Statements.

SERVISFIRST BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except share amounts)(Unaudited)

	Three Months Ended September 30,							
	Common Shares	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling interest	Total Stockholders' Equity
Balance, July 1, 2021	54,201,204	$ -	$ 54	$ 225,127	$ 828,048	$ 19,555	$ 500	$ 1,073,284
Common dividends declared, $0.20 per share	-	-	-	-	(10,842)	-	-	(10,842)
Dividends on nonvested restricted stock recognized as compensation expense	-	-	-	-	26	-	-	26
Issue restricted shares pursuant to stock incentives, net of forfeitures	346	-	-	-	-	-	-	-
Issue shares of common stock upon exercise of stock options	5,597	-	-	159	-	-	-	159
1,903 shares of common stock withheld in net settlement upon exercise of stock options	-	-	-	(99)	-	-	-	(99)
Stock-based compensation expense	-	-	-	461	-	-	-	461
Other comprehensive loss, net of tax	-	-	-	-	-	(1,195)	-	(1,195)
Net income	-	-	-	-	52,499	-	-	52,499
Balance, September 30, 2021	54,207,147	$ -	$ 54	$ 225,648	$ 869,731	$ 18,360	$ 500	$ 1,114,293
Balance, July 1, 2022	54,306,875	$ -	$ 54	$ 227,906	$ 1,005,815	$ (22,357)	$ 500	$ 1,211,918
Common dividends declared, $0.23 per share	-	-	-	-	(12,494)	-	-	(12,494)
Dividends on nonvested restricted stock recognized as compensation expense	-	-	-	-	35	-	-	35
Issue restricted shares pursuant to stock incentives, net of forfeitures	1,845	-	-	-	-	-	-	-
Issue shares of common stock upon exercise of stock options	15,287	-	-	218	-	-	-	218
2,213 shares of common stock withheld in net settlement upon exercise of stock options	-	-	-	(189)	-	-	-	(189)
Stock-based compensation expense	-	-	-	803	-	-	-	803
Other comprehensive loss, net of tax	-	-	-	-	-	(21,733)	-	(21,733)
Net income	-	-	-	-	64,031	-	-	64,031
Balance, September 30, 2022	54,324,007	$ -	$ 54	$ 228,738	$ 1,057,387	$ (44,090)	$ 500	$ 1,242,589

	Nine Months Ended September 30,							
	Common Shares	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling interest	Total Stockholders' Equity
Balance, January 1, 2021	53,943,751	$ -	$ 54	$ 223,856	$ 748,224	$ 20,218	$ 500	$ 992,852
Common dividends paid, $0.40 per share	-	-	-	-	(21,678)	-	-	(21,678)
Common dividends declared, $0.20 per share	-	-	-	-	(10,842)	-	-	(10,842)
Preferred dividends paid	-	-	-	-	(31)	-	-	(31)
Dividends on nonvested restricted stock recognized as compensation expense	-	-	-	-	77	-	-	77
Issue restricted shares pursuant to stock incentives, net of forfeitures	57,570	-	-	-	-	-	-	-
Issue shares of common stock upon exercise of stock options	205,826	-	-	3,219	-	-	-	3,219
51,374 shares of common stock withheld in net settlement upon exercise of stock options	-	-	-	(2,737)	-	-	-	(2,737)
Stock-based compensation expense	-	-	-	1,310	-	-	-	1,310
Other comprehensive loss, net of tax	-	-	-	-	-	(1,858)	-	(1,858)
Net income	-	-	-	-	153,981	-	-	153,981
Balance, September 30, 2021	54,207,147	$ -	$ 54	$ 225,648	$ 869,731	$ 18,360	$ 500	$ 1,114,293
Balance, January 1, 2022	54,227,060	$ -	$ 54	$ 226,397	$ 911,008	$ 14,056	$ 500	$ 1,152,015
Common dividends paid, $0.46 per share	-	-	-	-	(24,976)	-	-	(24,976)
Common dividends declared, $0.23 per share	-	-	-	-	(12,494)	-	-	(12,494)
Preferred dividends paid	-	-	-	-	(31)	-	-	(31)
Dividends on nonvested restricted stock recognized as compensation expense	-	-	-	-	100	-	-	100
Issue restricted shares pursuant to stock incentives, net of forfeitures	44,613	-	-	-	-	-	-	-
Issue shares of common stock upon exercise of stock options	52,334	-	-	1,079	-	-	-	1,079
13,166 shares of common stock withheld in net settlement upon exercise of stock options	-	-	-	(1,129)	-	-	-	(1,129)
Stock-based compensation expense	-	-	-	2,391	-	-	-	2,391
Other comprehensive loss, net of tax	-	-	-	-	-	(58,146)	-	(58,146)
Net income	-	-	-	-	183,780	-	-	183,780
Balance, September 30, 2022	54,324,007	$ -	$ 54	$ 228,738	$ 1,057,387	$ (44,090)	$ 500	$ 1,242,589

See Notes to Consolidated Financial Statements.

SERVISFIRST BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands) (Unaudited)

	Nine Months Ended September 30, 2022	2021
OPERATING ACTIVITIES		
Net income	$ 183,780	$ 153,981
Adjustments to reconcile net income to net cash provided by		
Deferred tax	476	12
Provision for credit losses	30,472	23,066
Depreciation	3,155	3,074
Accretion on acquired loans	108	43
Amortization of core deposit intangible	23	203
Amortization of investments in tax credit partnerships	8,786	3,516
Net amortization of debt securities available for sale	2,352	3,689
(Increase) decrease in accrued interest and dividends receivable	(5,115)	3,026
Stock-based compensation expense	2,391	1,310
Increase in accrued interest payable	1,262	376
Proceeds from sale of mortgage loans held for sale	38,564	221,548
Originations of mortgage loans held for sale	(37,529)	(200,832)
Loss (gain) on sale of securities available for sale	6,168	(620)
Gain on sale of mortgage loans held for sale	(1,924)	(6,869)
Net (gain) loss on sale of other real estate owned and repossessed assets	(239)	282
Write down of other real estate owned and repossessed assets	7	876
Operating losses of tax credit partnerships	-	4
Increase in cash surrender value of life insurance contracts	(4,878)	(5,012)
Net change in other assets, liabilities, and other operating activities	(29,074)	(6,144)
Net cash provided by operating activities	198,785	195,529
INVESTMENT ACTIVITIES		
Purchases of debt securities available for sale	(76,360)	(298,684)
Proceeds from maturities, calls and paydowns of debt securities available for sale	95,691	188,559
Proceeds from sale of debt securities available for sale	75,036	-
Purchases of debt securities held to maturity	(648,266)	-
Proceeds from maturities, calls and paydowns of debt securities held to maturity	60,854	-
Purchases of restricted equity securities	(423)	-
Investment in tax credit partnership and SBIC	(16,295)	(10,546)
Return of capital from TC Partnerships and SBIC	434	-
Increase in loans	(1,752,905)	(350,643)
Purchases of premises and equipment	(1,935)	(9,058)
Proceeds from death benefit of bank owned life insurance contracts	1,800	-
Proceeds from sale of other real estate owned and repossessed assets	1,240	911
Expenditures for other real estate owned	(93)	-
Net cash used in investing activities	(2,261,222)	(479,461)
FINANCING ACTIVITIES		
Net (decrease) increase in non-interest-bearing deposits	(1,137,831)	1,577,882
Net (decrease) increase in interest-bearing deposits	(263,090)	525,064
Net (decrease) increase in federal funds purchased	(245,455)	435,211
Proceeds from exercise of stock options	1,079	3,219
Taxes paid in net settlement of tax obligation upon exercise of stock options	(1,129)	(2,737)
Dividends paid on common stock	(24,876)	(21,601)
Dividends paid on preferred stock	(31)	(31)
Net cash (used in) provided by financing activities	(1,671,333)	2,517,007
Net (decrease) increase in cash and cash equivalents	(3,733,770)	2,233,075
Cash and cash equivalents at beginning of period	4,222,096	2,211,411
Cash and cash equivalents at end of period	$ 488,326	$ 4,444,486
SUPPLEMENTAL DISCLOSURE		
Cash paid/(received) for:		
Interest	$ 39,272	$ 23,622
Income taxes	55,375	51,308
Income tax refund	(142)	(3)
NONCASH TRANSACTIONS		
Other real estate acquired in settlement of loans	$ 1,045	$ 1,419
Internally financed sale of other real estate owned	-	3,779
Dividends on nonvested restricted stock reclassified as compensation expense	100	77
Dividends declared	12,494	10,842

See Notes to Consolidated Financial Statements.

NOTE 1 - GENERAL

The accompanying unaudited consolidated financial statements in this report have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission, including Regulation S-X and the instructions for Form 10-Q, and have not been audited. These consolidated financial statements do not include all of the information and footnotes required by U.S. generally accepted accounting principles ("U.S. GAAP") for complete financial statements. In the opinion of management, all adjustments necessary to present fairly the consolidated financial position and the consolidated results of operations for the interim periods have been made. All such adjustments are of a normal recurring nature. The consolidated results of operations are not necessarily indicative of the consolidated results of operations which ServisFirst Bancshares, Inc. (the "Company") and its consolidated subsidiaries, including ServisFirst Bank (the "Bank"), may achieve for future interim periods or the entire year. For further information, refer to the consolidated financial statements and footnotes included in the Company's Form 10-K for the year ended December 31, 2021.

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

NOTE 2 - CASH AND CASH EQUIVALENTS

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

NOTE 3 - EARNINGS PER COMMON SHARE

Basic earnings per common share are computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings per common share include the dilutive effect of additional potential common shares issuable under stock options. The difference in earnings per share under the two-class method was not significant for the three and nine months ended September 30, 2022 and 2021, respectively.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(In Thousands, Except Shares and Per Share Data)			
Earnings per common share				
Weighted average common shares outstanding	54,315,671	54,205,565	54,291,739	54,143,324
Net income available to common stockholders	$ 64,031	$ 52,499	$ 183,749	$ 153,950
Basic earnings per common share	$ 1.18	$ 0.97	$ 3.38	$ 2.84
Weighted average common shares outstanding	54,315,671	54,205,565	54,291,739	54,143,324
Dilutive effects of assumed exercise of stock options and vesting of performance shares	231,011	272,175	242,054	296,680
Weighted average common and dilutive potential common shares outstanding	54,546,682	54,477,740	54,533,793	54,440,004
Net income available to common stockholders	$ 64,031	$ 52,499	$ 183,749	$ 153,950
Diluted earnings per common share	$ 1.17	$ 0.96	$ 3.37	$ 2.83

NOTE 4 - SECURITIES

The amortized cost and fair value of available-for-sale and held-to-maturity securities at September 30, 2022 and December 31, 2021 are summarized as follows:

	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
September 30, 2022		(In Thousands)		
Debt Securities Available for Sale				
U.S. Treasury Securities	$ 6,003	$ -	$ (51)	$ 5,952
Government Agency Securities	9	-	-	9
Mortgage-backed securities	294,289	3	(36,528)	257,764
State and municipal securities	16,677	2	(1,659)	15,020
Corporate debt	410,685	5	(23,671)	387,019
Total	$ 727,663	$ 10	$ (61,910)	$ 665,763
Debt Securities Held to Maturity				
U.S. Treasury Securities	$ 506,697	$ -	$ (38,184)	$ 468,513
Mortgage-backed securities	534,107	5	(67,336)	466,776
State and municipal securities	8,036	-	(1,043)	6,993
Total	$ 1,048,840	$ 5	$ (106,563)	$ 942,282
December 31, 2021				
Debt Securities Available for Sale				
U.S Treasury Securities	$ 9,003	$ 101	$ -	$ 9,104
Government Agency Securities	6,022	19	-	6,041
Mortgage-backed securities	424,372	3,474	(2,685)	425,161
State and municipal securities	21,531	173	(70)	21,634
Corporate debt	369,618	11,659	(647)	380,630
Total	$ 830,546	$ 15,425	$ (3,402)	$ 842,570
Debt Securities Held to Maturity				
U.S. Treasury Securities	$ 149,263	$ 25	$ (668)	$ 148,620
Mortgage-backed securities	310,641	5,251	(1,271)	314,621
State and municipal securities	3,053	2	(10)	3,045
Total	$ 462,957	$ 5,278	$ (1,949)	$ 466,286

During the third quarter of 2021, the company transferred, at fair value, $261.3 million of mortgage-backed securities from the available-for-sale portfolio to the held-to-maturity portfolio. The related unrealized after-tax gains of $5.6 million remained in accumulated other comprehensive income and are being amortized over the remaining life of the securities, offsetting the related amortization of discount on the transferred securities. No gains or losses were recognized at the time of the transfer.

The amortized cost and fair value of debt securities as of September 30, 2022 and December 31, 2021 by contractual maturity are shown below. Actual maturities may differ from contractual maturities of mortgage-backed securities since the mortgages underlying the securities may be called or prepaid with or without penalty. Therefore, these securities are not included in the maturity categories along with the other categories of debt securities.

	September 30, 2022		December 31, 2021	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
		(In thousands)		
Debt securities available for sale				
Due within one year	$ 21,679	$ 21,528	$ 32,913	$ 33,232
Due from one to five years	57,337	55,676	31,760	32,307
Due from five to ten years	351,358	328,142	338,407	348,594
Due after ten years	3,000	2,653	3,094	3,276
Mortgage-backed securities	294,289	257,764	424,372	425,161
	$ 727,663	$ 665,763	$ 830,546	$ 842,570
Debt securities held to maturity				
Due within one year	$ 250	$ 250	$ 250	$ 250
Due from one to five years	386,028	364,652	49,663	49,419
Due from five to ten years	128,455	110,604	102,403	101,996
Mortgage-backed securities	534,107	466,776	310,641	314,621
	$ 1,048,840	$ 942,282	$ 462,957	$ 466,286

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

The carrying value of debt securities pledged to secure public funds on deposit and for other purposes as required by law as of September 30, 2022 and December 31, 2021 was $748.3 million and $463.1 million, respectively.

The following table identifies, as of September 30, 2022 and December 31, 2021, the Company's investment securities that have been in a continuous unrealized loss position for less than 12 months and those that have been in a continuous unrealized loss position for 12 or more months.

	Less Than Twelve Months		Twelve Months or More		Total	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
September 30, 2022			(In Thousands)			
Debt Securities available for sale						
U.S. Treasury Securities	$ (51)	$ 5,952	$ -	$ -	$ (51)	$ 5,952
Government Agency Securities	-	9	-	-	-	9
Mortgage-backed securities	(14,589)	131,223	(21,938)	126,344	(36,528)	257,568
State and municipal securities	(790)	9,952	(870)	4,622	(1,659)	14,574
Corporate debt	(19,242)	336,583	(4,429)	31,571	(23,670)	368,154
Total	$ (34,672)	$ 483,719	$ (27,237)	$ 162,537	$ (61,909)	$ 646,256
Debt Securities held to maturity						
U.S. Treasury Securities	$ (31,859)	$ 425,216	$ (6,325)	$ 43,296	$ (38,184)	$ 468,512
Mortgage-backed securities	(56,458)	418,140	(10,878)	44,132	(67,336)	462,272
State and municipal securities	(1,043)	6,743	-	-	(1,043)	6,743
Total	$ (89,360)	$ 850,099	$ (17,203)	$ 87,428	$ (106,563)	$ 937,527
December 31, 2021						
Debt Securities available for sale						
Mortgage-backed securities	$ (2,685)	$ 303,297	$ -	$ -	$ (2,685)	$ 303,297
State and municipal securities	(61)	5,198	(9)	228	(70)	5,426
Corporate debt	(647)	61,677	-	-	(647)	61,677
Total	$ (3,393)	$ 370,172	$ (9)	$ 228	$ (3,402)	$ 370,400
Debt Securities held to maturity						
U.S. Treasury Securities	$ (668)	$ 123,698	$ -	$ -	$ (668)	$ 123,698
Mortgage-backed securities	(1,271)	134,192	-	-	(1,271)	134,192
State and municipal securities	(10)	482	-	-	(10)	482
Total	$ (1,950)	$ 258,372	$ -	$ -	$ (1,949)	$ 258,372

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
		(In Thousands)		
Sale and call proceeds	$ -	$ -	$ 75,036	$ 6,272
Gross realized gains	$ -	$ -	$ -	$ 620
Gross realized losses	-	-	(6,168)	-
Net realized (loss) gain	$ -	$ -	$ (6,168)	$ 620

At September 30, 2022, no allowance for credit losses has been recognized on available for sale debt securities in an unrealized loss position as the Company does not believe any of the debt securities are credit impaired. This is based on the Company's analysis of the risk characteristics, including credit ratings, and other qualitative factors related to available for sale debt securities. The issuers of these debt securities continue to make timely principal and interest payments under the contractual terms of the securities. The Company does not intend to sell these debt securities and it is more likely than not that the Company will not be required to sell the debt securities before recovery of their amortized cost, which may be at maturity. The unrealized losses are due to increases in market interest rates over the yields available at the time the debt securities were purchased. Furthermore, the Company performed an analysis that determined that the following held-to-maturity securities have a zero expected credit loss: U.S. Treasury Securities; State and Municipal Securities and, Agency-Backed Securities, including securities issued by GNMA, FNMA, FHLB, FFCB and SBA. All of the U.S. Treasury and Agency-Backed Securities have the full faith and credit backing of the United States Government or one of its agencies. All debt securities in an unrealized loss position as of September 30, 2022, continue to perform as scheduled and the Company does not believe there is a possible credit loss or that an allowance for credit loss on these debt securities is necessary.

Restricted equity securities are comprised entirely of a restricted investment in Federal Home Loan Bank of Atlanta stock for membership requirement.

NOTE 5 – LOANS

The loan portfolio is classified based on the underlying collateral utilized to secure each loan for financial reporting purposes. This classification is consistent with the Quarterly Report of Condition and Income filed by the Bank with the Federal Deposit Insurance Corporation (FDIC).

Commercial, financial and agricultural - Includes loans to business enterprises issued for commercial, industrial, agricultural production and/or other professional purposes. These loans are generally secured by equipment, inventory, and accounts receivable of the borrower and repayment is primarily dependent on business cash flows.

Real estate – construction – Includes loans secured by real estate to finance land development or the construction of industrial, commercial or residential buildings. Repayment is dependent upon the completion and eventual sale, refinance or operation of the related real estate project.

Owner-occupied commercial real estate mortgage – Includes loans secured by nonfarm nonresidential properties for which the primary source of repayment is the cash flow from the ongoing operations conducted by the party that owns the property.

1-4 family real estate mortgage – Includes loans secured by residential properties, including home equity lines of credit. Repayment is primarily dependent on the personal cash flow of the borrower.

Other real estate mortgage – Includes loans secured by nonowner-occupied properties, including office buildings, industrial buildings, warehouses, retail buildings, multifamily residential properties and farmland. Repayment is primarily dependent on income generated from the underlying collateral.

Consumer – Includes loans to individuals not secured by real estate. Repayment is dependent upon the personal cash flow of the borrower.

The Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) provided for Paycheck Protection Program (“PPP”) loans made by banks to employers with less than 500 employees if they continued to employ their existing workers. The American Rescue Plan Act of 2021, which was signed into law on March 21, 2021, provided additional relief for businesses, states, municipalities and individuals by, among other things, allocating additional funds for the PPP. Effective May 28, 2021, the PPP was closed to new applications. The Company funded approximately 7,400 loans for a total amount of $1.5 billion for clients under the PPP since April 2020. At September 30, 2022 and December 31, 2021, unaccreted deferred loan origination fees, net of costs, related to PPP loans were $138,000 and $7.2 million, respectively. PPP loan fees recorded to interest income totaled $400,000 and $5.2 million for the three months ended September 30, 2022 and 2021, respectively, and totaled $7.6 million and $22.3 million for the nine months ended September 30, 2022 and 2021, respectively. PPP loans outstanding totaled $7.2 million and $230.2 million at September 30, 2022 and December 31, 2021, respectively. PPP loans are included within the commercial, financial and agricultural loan category in the table below.

The following table details the Company’s loans at September 30, 2022 and December 31, 2021:

	September 30, 2022	December 31, 2021
	(Dollars In Thousands)	
Commercial, financial and agricultural	$ 3,104,155	$ 2,984,053
Real estate - construction	1,433,698	1,103,076
Real estate - mortgage:		
Owner-occupied commercial	2,145,621	1,874,103
1-4 family mortgage	1,089,826	826,765
Other mortgage	3,438,762	2,678,084
Subtotal: Real estate - mortgage	6,674,209	5,378,952
Consumer	66,552	66,853
Total Loans	11,278,614	9,532,934
Less: Allowance for credit losses	(140,967)	(116,660)
Net Loans	$ 11,137,647	$ 9,416,274
Commercial, financial and agricultural	27.52%	31.30%
Real estate - construction	12.71%	11.57%
Real estate - mortgage:		
Owner-occupied commercial	19.02%	19.66%
1-4 family mortgage	9.66%	8.67%
Other mortgage	30.50%	28.09%
Subtotal: Real estate - mortgage	59.18%	56.42%
Consumer	0.59%	0.70%
Total Loans	100.00%	100.00%

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

- Pass – loans which are well protected by the current net worth and paying capacity of the borrower (or guarantors, if any) or by the fair value, less cost to acquire and sell, of any underlying collateral.
- Special Mention – loans with potential weakness that may, if not reversed or corrected, weaken the credit or inadequately protect the Company's position at some future date. These loans are not adversely classified and do not expose an institution to sufficient risk to warrant an adverse classification.
- Substandard – loans that exhibit well-defined weakness or weaknesses that currently jeopardize debt repayment. These loans are characterized by the distinct possibility that the company will sustain some loss if the weaknesses are not corrected.
- Doubtful – loans that have all the weaknesses inherent in loans classified substandard, plus the added characteristic that the weaknesses make collection or liquidation in full on the basis of currently existing facts, conditions, and values highly questionable and improbable.

The table below presents loan balances classified by credit quality indicator, loan type and based on year of origination as of September 30, 2022:

September 30, 2022	2022	2021	2020	2019	2018	Prior	Revolving Loans	Total
				(In thousands)				
Commercial, financial and agricultural								
Pass	$ 602,395	$ 528,653	$ 240,523	$ 151,397	$ 86,005	$ 147,217	$ 1,247,732	$ 3,003,922
Special Mention	5,720	2,674	1,199	580	475	10,411	21,505	42,564
Substandard	-	-	381	9,645	3,381	8,699	35,563	57,669
Doubtful	-	-	-	-	-	-	-	-
Total Commercial, financial and agricultural	$ 608,115	$ 531,327	$ 242,103	$ 161,622	$ 89,861	$ 166,327	$ 1,304,800	$ 3,104,155
Real estate - construction								
Pass	$ 473,174	$ 627,269	$ 208,182	$ 19,262	$ 12,481	$ 20,208	$ 68,533	$ 1,429,109
Special Mention	2,500	-	-	-	-	876	-	3,376
Substandard	-	-	-	-	1,213	-	-	1,213
Doubtful	-	-	-	-	-	-	-	-
Total Real estate - construction	$ 475,674	$ 627,269	$ 208,182	$ 19,262	$ 13,694	$ 21,084	$ 68,533	$ 1,433,698
Owner-occupied commercial								
Pass	$ 342,593	$ 496,759	$ 350,151	$ 205,457	$ 163,853	$ 499,130	$ 67,827	$ 2,125,770
Special Mention	2,375	199	-	2,730	2,188	8,441	-	15,933
Substandard	-	-	-	73	-	3,845	-	3,918
Doubtful	-	-	-	-	-	-	-	-
Total Owner-occupied commercial	$ 344,968	$ 496,958	$ 350,151	$ 208,260	$ 166,041	$ 511,416	$ 67,827	$ 2,145,621
1-4 family mortgage								
Pass	$ 341,944	$ 276,451	$ 97,968	$ 55,579	$ 29,782	$ 61,967	$ 217,420	$ 1,081,111
Special Mention	82	445	828	376	424	983	3,055	6,193
Substandard	-	80	156	785	221	958	322	2,522
Doubtful	-	-	-	-	-	-	-	-
Total 1-4 family mortgage	$ 342,026	$ 276,976	$ 98,952	$ 56,740	$ 30,427	$ 63,908	$ 220,797	$ 1,089,826
Other mortgage								
Pass	$ 913,219	$ 928,942	$ 496,188	$ 390,408	$ 142,416	$ 486,039	$ 61,875	$ 3,419,087
Special Mention	232	-	-	-	-	7,231	-	7,463
Substandard	-	-	-	130	4,800	7,282	-	12,212
Doubtful	-	-	-	-	-	-	-	-
Total Other mortgage	$ 913,451	$ 928,942	$ 496,188	$ 390,538	$ 147,216	$ 500,552	$ 61,875	$ 3,438,762
Consumer								
Pass	$ 7,713	$ 6,310	$ 3,297	$ 1,859	$ 473	$ 17,005	$ 29,836	$ 66,493
Special Mention	-	-	-	-	-	16	-	16
Substandard	-	43	-	-	-	-	-	43
Doubtful	-	-	-	-	-	-	-	-
Total Consumer	$ 7,713	$ 6,353	$ 3,297	$ 1,859	$ 473	$ 17,021	$ 29,836	$ 66,552
Total Loans								
Pass	$ 2,681,038	$ 2,864,384	$ 1,396,309	$ 823,962	$ 435,010	$ 1,231,566	$ 1,693,223	$ 11,125,492
Special Mention	10,909	3,318	2,027	3,686	3,087	27,958	24,560	75,545
Substandard	-	123	537	10,633	9,615	20,784	35,885	77,577
Doubtful	-	-	-	-	-	-	-	-
Total Loans	$ 2,691,947	$ 2,867,825	$ 1,398,873	$ 838,281	$ 447,712	$ 1,280,308	$ 1,753,668	$ 11,278,614

The table below presents loan balances classified by credit quality indicator, loan type and based on year of origination as of December 31, 2021:

December 31, 2021	2021	2020	2019	2018	2017	Prior	Revolving Loans	Total
				(In thousands)				
Commercial, financial and agricultural								
Pass	$ 800,822	$ 294,841	$ 209,086	$ 130,579	$ 114,870	$ 127,572	$ 1,216,153	$ 2,893,923
Special Mention	1,245	1,323	942	846	915	784	19,801	25,856
Substandard	-	387	10,039	1,741	1,501	7,966	42,640	64,274
Doubtful	-	-	-	-	-	-	-	-
Total Commercial, financial and agricultural	$ 802,067	$ 296,551	$ 220,067	$ 133,166	$ 117,286	$ 136,322	$ 1,278,594	$ 2,984,053
Real estate - construction								
Pass	$ 597,497	$ 260,723	$ 110,671	$ 16,452	$ 13,704	$ 17,356	$ 76,662	$ 1,093,065
Special Mention	-	-	6,594	2,500	-	917	-	10,011
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Total Real estate - construction	$ 597,497	$ 260,723	$ 117,265	$ 18,952	$ 13,704	$ 18,273	$ 76,662	$ 1,103,076
Owner-occupied commercial								
Pass	$ 406,473	$ 352,642	$ 231,197	$ 182,812	$ 162,648	$ 430,638	$ 96,860	$ 1,863,270
Special Mention	101	-	2,417	779	476	2,688	-	6,461
Substandard	-	-	-	-	-	4,372	-	4,372
Doubtful	-	-	-	-	-	-	-	-
Total Owner-occupied commercial	$ 406,574	$ 352,642	$ 233,614	$ 183,591	$ 163,124	$ 437,698	$ 96,860	$ 1,874,103
1-4 family mortgage								
Pass	$ 299,686	$ 117,579	$ 68,044	$ 46,954	$ 37,374	$ 37,970	$ 210,338	$ 817,945
Special Mention	-	1,000	517	116	260	912	3,033	5,838
Substandard	-	150	593	241	231	611	1,156	2,982
Doubtful	-	-	-	-	-	-	-	-
Total 1-4 family mortgage	$ 299,686	$ 118,729	$ 69,154	$ 47,311	$ 37,865	$ 39,493	$ 214,527	$ 826,765
Other mortgage								
Pass	$ 882,849	$ 481,012	$ 411,426	$ 174,700	$ 272,555	$ 353,621	$ 81,202	$ 2,657,365
Special Mention	-	-	130	376	2,720	4,656	-	7,882
Substandard	-	-	-	4,497	8,340	-	-	12,837
Doubtful	-	-	-	-	-	-	-	-
Total Other mortgage	$ 882,849	$ 481,012	$ 411,556	$ 179,573	$ 283,615	$ 358,277	$ 81,202	$ 2,678,084
Consumer								
Pass	$ 16,303	$ 4,845	$ 2,896	$ 983	$ 903	$ 3,649	$ 37,250	$ 66,829
Special Mention	-	-	-	-	-	24	-	24
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Total Consumer	$ 16,303	$ 4,845	$ 2,896	$ 983	$ 903	$ 3,673	$ 37,250	$ 66,853
Total Loans								
Pass	$ 3,003,630	$ 1,511,642	$ 1,033,320	$ 552,480	$ 602,054	$ 970,806	$ 1,718,465	$ 9,392,397
Special Mention	1,346	2,323	10,600	4,617	4,371	9,981	22,834	56,072
Substandard	-	537	10,632	6,479	10,072	12,949	43,796	84,465
Doubtful	-	-	-	-	-	-	-	-
Total Loans	$ 3,004,976	$ 1,514,502	$ 1,054,552	$ 563,576	$ 616,497	$ 993,736	$ 1,785,095	$ 9,532,934

Loans by performance status as of September 30, 2022 and December 31, 2021 were as follows:

September 30, 2022	Performing	Nonperforming	Total
		(In Thousands)	
Commercial, financial and agricultural	$ 3,095,346	$ 8,809	$ 3,104,155
Real estate - construction	1,433,698	-	1,433,698
Real estate - mortgage:			
Owner-occupied commercial	2,144,601	1,020	2,145,621
1-4 family mortgage	1,088,375	1,451	1,089,826
Other mortgage	3,433,708	5,054	3,438,762
Total real estate mortgage	6,666,683	7,526	6,674,209
Consumer	66,428	124	66,552
Total	$ 11,262,155	$ 16,459	$ 11,278,614

December 31, 2021	Performing	Nonperforming	Total
		(In Thousands)	
Commercial, financial and agricultural	$ 2,979,671	$ 4,382	$ 2,984,053
Real estate - construction	1,103,076	-	1,103,076
Real estate - mortgage:			
Owner-occupied commercial	1,873,082	1,021	1,874,103
1-4 family mortgage	824,756	2,009	826,765
Other mortgage	2,673,428	4,656	2,678,084
Total real estate mortgage	5,371,266	7,686	5,378,952
Consumer	66,824	29	66,853
Total	$ 9,520,837	$ 12,097	$ 9,532,934

Loans by past due status as of September 30, 2022 and December 31, 2021 were as follows:

September 30, 2022	Past Due Status (Accruing Loans)							
	30-59 Days	60-89 Days	90+ Days	Total Past Due	Total Nonaccrual	Current	Total Loans	Nonaccrual With no ACL
	(In Thousands)							
Commercial, financial and agricultural	$ 1,385	$ 134	$ 95	$ 1,614	$ 8,714	$ 3,093,827	$ 3,104,155	$ 1,252
Real estate - construction	-	-	-	-	-	1,433,698	1,433,698	-
Real estate - mortgage:								
Owner-occupied commercial	3,599	-	-	3,599	1,020	2,141,002	2,145,621	883
1-4 family mortgage	627	128	79	834	1,372	1,087,620	1,089,826	287
Other mortgage	-	-	4,548	4,548	506	3,433,708	3,438,762	376
Total real estate - mortgage	4,226	128	4,627	8,981	2,899	6,662,329	6,674,209	1,546
Consumer	79	86	82	247	42	66,262	66,552	42
Total	$ 5,690	$ 348	$ 4,804	$ 10,842	$ 11,655	$ 11,256,117	$ 11,278,614	$ 2,840

December 31, 2021	Past Due Status (Accruing Loans)							
	30-59 Days	60-89 Days	90+ Days	Total Past Due	Total Nonaccrual	Current	Total Loans	Nonaccrual With no ACL
	(In Thousands)							
Commercial, financial and agricultural	$ 516	$ 77	$ 39	$ 632	$ 4,343	$ 2,979,078	$ 2,984,053	$ 2,059
Real estate - construction	-	-	-	-	-	1,103,076	1,103,076	-
Real estate - mortgage:								
Owner-occupied commercial	143	-	-	143	1,021	1,872,939	1,874,103	1,021
1-4 family mortgage	-	703	611	1,314	1,398	824,053	826,765	483
Other mortgage	-	-	4,656	4,656	-	2,673,428	2,678,084	-
Total real estate - mortgage	143	703	5,267	6,113	2,419	5,370,420	5,378,952	1,504
Consumer	93	23	29	145	-	66,708	66,853	-
Total	$ 752	$ 803	$ 5,335	$ 6,890	$ 6,762	$ 9,519,282	$ 9,532,934	$ 3,563

Under the current expected credit losses ("CECL") methodology, the allowance for credit losses ("ACL") is measured on a collective basis for pools of loans with similar risk characteristics. For loans that do not share similar risk characteristics with the collectively evaluated pools, evaluations are performed on an individual basis. For all loan segments collectively evaluated, losses are predicted over a period of time determined to be reasonable and supportable, and at the end of the reasonable and supportable forecast period losses are reverted to long-term historical averages. The estimated loan losses for all loan segments are adjusted for changes in qualitative factors not inherently considered in the quantitative analyses.

The Company uses the discounted cash flow ("DCF") method to estimate ACL for all loan pools except for commercial and industrial ("C&I") revolving lines of credit and credit cards. For all loan pools utilizing the DCF method, the Company utilizes and forecasts national unemployment rate as a loss driver. The Company also utilizes and forecasts GDP growth as a second loss driver for its agricultural and consumer loan pools. Consistent forecasts of the loss drivers are used across the loan segments. At September 30, 2022 and December 31, 2021, the Company utilized a reasonable and supportable forecast period of twelve months followed by a six-month straight-line reversion to long term averages. The Company leveraged economic projections from reputable and independent sources to inform its loss driver forecasts. At September 30, 2022, the Company expects the national unemployment to rise during the forecast period with a declining national GDP growth rate compared to December 31, 2021.

The Company uses a loss-rate method to estimate expected credit losses for its C&I revolving lines of credit and credit card pools. The C&I revolving lines of credit pool incorporates a probability of default ("PD") and loss given default ("LGD") modeling approach. This approach involves estimating the pool average life and then using historical correlations of default and loss experience over time to calculate the lifetime PD and LGD. These two inputs are then applied to the outstanding pool balance. The credit card pool incorporates a remaining life modeling approach, which utilizes an attrition-based method to estimate the remaining life of the pool. A quarterly average loss rate is then calculated using the Company's historical loss data. The model reduces the pool balance quarterly on a straight-line basis over the estimated life of the pool. The quarterly loss rate is multiplied by the outstanding balance at each period-end resulting in an estimated loss for each quarter. The sum of estimated loss for all quarters is the total calculated reserve for the pool. Management has applied the loss-rate method to C&I lines of credit and to credit cards due to their generally short-term nature. An expected loss ratio is applied based on internal and peer historical losses.

Each loan pool is adjusted for qualitative factors not inherently considered in the quantitative analyses. The qualitative adjustments either increase or decrease the quantitative model estimation. The Company considers factors that are relevant within the qualitative framework which include the following: lending policy, changes in nature and volume of loans, staff experience, changes in volume and trends of problem loans, concentration risk, trends in underlying collateral values, external factors, quality of loan review system and other economic conditions.

Inherent risks in the loan portfolio will differ based on type of loan. Specific risk characteristics by loan portfolio segment are listed below:

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

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

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

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

The following table presents changes in the allowance for credit losses, segregated by loan type, for the three and nine months ended September 30, 2022 and September 30, 2021.

	Commercial, financial and agricultural	Real estate - construction	Real estate - mortgage	Consumer	Total
	(In Thousands)				
	Three Months Ended September 30, 2022				
Allowance for credit losses:					
Balance at June 30, 2022	$ 41,610	$ 35,992	$ 48,793	$ 1,992	$ 128,387
Charge-offs	(2,902)	-	(170)	(260)	(3,332)
Recoveries	297	-	-	12	309
Provision	3,829	4,024	7,420	330	15,603
Balance at September 30, 2022	$ 42,834	$ 40,016	$ 56,043	$ 2,074	$ 140,967
	Three Months Ended March September 30, 2021				
Allowance for credit losses:					
Balance at June 30, 2021	$ 42,433	$ 22,413	$ 38,530	$ 1,294	$ 104,670
Charge-offs	(1,541)	-	(208)	(86)	(1,835)
Recoveries	140	-	4	8	152
Provision	(144)	2,124	3,681	302	5,963
Balance at September 30, 2021	$ 40,888	$ 24,537	$ 42,007	$ 1,518	$ 108,950
	Nine Months Ended September 30, 2022				
Allowance for credit losses:					
Balance at December 31, 2021	$ 41,869	$ 26,994	$ 45,829	$ 1,968	$ 116,660
Charge-offs	(7,141)	-	(221)	(459)	(7,821)
Recoveries	1,619	-	-	37	1,656
Provision	6,487	13,022	10,435	528	30,472
Balance at September 30, 2022	$ 42,834	$ 40,016	$ 56,043	$ 2,074	$ 140,967
	Nine Months Ended September 30, 2021				
Allowance for credit losses:					
Balance at December 31, 2020	$ 36,370	$ 16,057	$ 33,722	$ 1,793	$ 87,942
Charge-offs	(2,168)	-	(279)	(227)	(2,674)
Recoveries	464	52	68	32	616
Provision	6,222	8,428	8,496	(80)	23,066
Balance at September 30, 2021	$ 40,888	$ 24,537	$ 42,007	$ 1,518	$ 108,950

We maintain an allowance for credit losses on unfunded lending commitments and letters of credit to provide for the risk of loss inherent in these arrangements. The allowance is computed using a methodology similar to that used to determine the allowance for credit losses for loans, modified to take into account the probability of a drawdown on the commitment. The allowance for credit losses on unfunded loan commitments is classified as a liability account on the Consolidated Balance Sheet within other liabilities, while the corresponding provision for these credit losses is recorded as a component of other expense. The allowance for credit losses on unfunded commitments was $1.9 million at September 30, 2022 and $1.3 million at December 31, 2021. The provision expense for unfunded commitments was $329,000 and $629,000 for the three and nine months ended September 30, 2022, respectively, and was $(300,000) and $800,000 for the three and nine months ended September 30, 2021.

Loans that no longer share similar risk characteristics with collectively evaluated pools are estimated on an individual basis. A loan is considered collateral-dependent when the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. The following table summarizes collateral-dependent gross loans held for investment by collateral type as follows:

September 30, 2022	Real Estate	Accounts Receivable	Equipment	Other	Total	ACL Allocation
			(In Thousands)			
Commercial, financial and agricultural	$ 12,144	$ 15,885	$ 2,452	$ 27,186	$ 57,667	$ 9,766
Real estate - construction	-	-	-	1,213	1,213	11
Real estate - mortgage:						
Owner-occupied commercial	3,177	-	-	-	3,177	178
1-4 family mortgage	3,846	-	-	74	3,920	30
Other mortgage	12,212	-	-	-	12,212	-
Total real estate - mortgage	19,235	-	-	74	19,309	208
Consumer	-	-	-	43	43	43
Total	$ 31,379	$ 15,885	$ 2,452	$ 28,516	$ 78,232	$ 10,028

December 31, 2021	Real Estate	Accounts Receivable	Equipment	Other	Total	ACL Allocation
			(In Thousands)			
Commercial, financial and agricultural	$ 13,067	$ 5,075	$ 18,533	$ 27,599	$ 64,274	$ 9,727
Real estate - construction	-	-	-	-	-	-
Real estate - mortgage:						
Owner-occupied commercial	4,372	-	-	-	4,372	1,371
1-4 family mortgage	2,982	-	-	-	2,982	163
Other mortgage	12,837	-	-	-	12,837	31
Total real estate - mortgage	20,191	-	-	-	20,191	1,565
Consumer	-	-	-	-	-	-
Total	$ 33,258	$ 5,075	$ 18,533	$ 27,599	$ 84,465	$ 11,292

Troubled Debt Restructuring ("TDR") at September 30, 2022, December 31, 2021 and September 30, 2021 totaled $--2.0 million, $2.6 million and $2.9 million, respectively. The portion of those TDRs accruing interest at September 30, 2022, December 31, 2021 and September 30, 2021 totaled $236,000, $431,000 and $437,000, respectively. There were no modifications made to new TDRs or renewals of existing TDRs for the three and nine ended September 30, 2022. The following tables present loans modified in a TDR during three and nine months ended September 30, 2021 by portfolio segment and the financial impact of those modifications. The tables include modifications made to new TDRs, as well as renewals of existing TDRs.

	Three Months Ended September 30, 2021			Nine Months Ended September 30, 2021		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
			(In Thousands)			
Troubled Debt Restructurings						
Commercial, financial and agricultural	2	$ 1,155	$ 1,155	2	$ 1,155	$ 1,155
Real estate - construction	-	-	-	-	-	-
Real estate - mortgage:						
Owner-occupied commercial	1	991	991	1	991	991
1-4 family mortgage	-	-	-	-	-	-
Other mortgage	-	-	-	-	-	-
Total real estate mortgage	1	991	991	1	991	991
Consumer	-	-	-	-	-	-
	3	$ 2,146	$ 2,146	3	$ 2,146	$ 2,146

There were no loans which were modified in the previous twelve months (i.e., the twelve months prior to default) that defaulted during the three and nine months ended September 30, 2022 and September 30, 2021, respectively. For purposes of this disclosure, default is defined as 90 days past due and still accruing or placement on nonaccrual status.

NOTE 6 - LEASES

The Company leases space under non-cancelable operating leases for several of its banking offices and certain office equipment. The leases have remaining terms up to 9.1 years. At September 30, 2022, the Company had lease right-of-use assets and lease liabilities totaling $16.8 million and $17.5 million, respectively, compared to $17.9 million and $18.5 million, respectively, at December 31, 2021 which are reflected in other assets and other liabilities, respectively, in the Company's Consolidated Balance Sheets.

Maturities of operating lease liabilities as of September 30, 2022 are as follows:

	September 30, 2022
	(In Thousands)
2022 (remaining)	$ 1,055
2023	3,831
2024	2,863
2025	2,742
2026	2,177
thereafter	6,126
Total lease payments	18,794
Less: imputed interest	(1,322)
Present value of operating lease liabilities	$ 17,472

As of September 30, 2022, the weighted average remaining term of operating leases is 6.4 years and the weighted average discount rate used in the measurement of operating lease liabilities was 2.48%.

Operating cash flows related to leases were $1.1 million and $3.1 million for the three and nine months ended September 30, 2022, respectively, compared to $967,000 and $2.5 million for the three and nine months ended September 30, 2021, respectively.

Lease costs during the three and nine months ended September 30, 2022 and September 30, 2021 were as follows (in thousands):

	Three Months Ended September 30,	
	2022	2021
Operating lease cost	$ 1,051	$ 1,048
Short-term lease cost	22	-
Variable lease cost	153	148
Sublease income	(5)	(24)
Net lease cost	$ 1,221	$ 1,172

	Nine Months Ended September 30,	
	2022	2021
Operating lease cost	$ 3,098	$ 2,960
Short-term lease cost	47	-
Variable lease cost	4,502	346
Sublease income	(34)	(86)
Net lease cost	$ 7,613	$ 3,220

NOTE 7 - EMPLOYEE AND DIRECTOR BENEFITS

Stock Options

The Company has a stock incentive plan as described below. The compensation cost that has been charged to earnings for the plan was approximately $804,000 and $2.4 million for the three and nine months ended September 30, 2022, respectively, and $461,000 and $1.3 million for the three and nine months ended September 30, 2021, respectively.

The Company's 2009 Amended and Restated Stock Incentive Plan authorizes the grant of up to 5,550,000 shares and allows for the issuance of Stock Appreciation Rights, Restricted Stock, Stock Options, Non-stock Share Equivalents, Performance Shares or Performance Units. The plan allows for the grant of incentive stock options and non-qualified stock options, and option awards are granted with an exercise price equal to the fair market value of the Company's common stock at the date of grant. The maximum term of the options granted under the plan is ten years.

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

	2021
Expected volatility	40.00%
Expected dividends	1.78%
Expected term (in years)	7.5
Risk-free rate	2.43%

There were no grants of stock options during the nine months ended September 30, 2022. The weighted average grant-date fair value of options granted during the nine months ended September 30, 2021 was $12.73.

The following table summarizes stock option activity during the nine months ended September 30, 2022 and September 30, 2021:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (In Thousands)
Nine Months Ended September 30, 2022:				
Outstanding at January 1, 2022	353,250	$ 19.28	3.8	$ 23,525
Exercised	(65,500)	16.42	2.3	4,164
Forfeited	(1,500)	35.21	5.8	67
Outstanding at September 30, 2022	286,250	19.51	3.4	$ 18,431
Exercisable at September 30, 2022	225,500	$ 14.89	2.3	$ 14,990
Nine Months Ended September 30, 2021:				
Outstanding at January 1, 2021	640,950	$ 18.14	4.6	$ 16,981
Granted	500	32.60	7.7	23
Exercised	(257,200)	12.46	3.2	16,805
Forfeited	(9,000)	16.57	2.1	256
Outstanding at September 30, 2021	375,250	$ 19.56	4.1	$ 22,438
Exercisable at September 30, 2021	281,000	$ 12.79	3.0	$ 18,565

As of September 30, 2022, there was $246,000 of total unrecognized compensation cost related to non-vested stock options. The cost is expected to be recognized on the straight-line method over the next 1.4 years.

Restricted Stock and Performance Shares

The Company periodically grants restricted stock awards that vest upon time-based service conditions. Dividend payments are made during the vesting period. The value of restricted stock is determined to be the current value of the Company's stock, and this total value will be recognized as compensation expense over the vesting period. As of September 30, 2022, there was $5.0 million of total unrecognized compensation cost related to non-vested time-based restricted stock. The cost is expected to be recognized evenly over the remaining 2.5 years of the restricted stock's vesting period.

The Company periodically grants performance shares that give plan participants the opportunity to earn between 0% and 150% of the number of performance shares granted based on achieving certain performance metrics. The number of performance shares earned is determined by reference to the Company's total shareholder return relative to a peer group of other publicly traded banks and bank holding companies during the performance period. The performance period is generally three years starting on the grant date. The fair value of the performance shares is determined using a Monte Carlo simulation model on the grant date. As of September 30, 2022, there was $907,000 of total unrecognized compensation cost related to non-vested performance shares. As of September 30, 2022, non-vested performance shares had a weighted average remaining time to vest of 2.0 years.

	Restricted Stock		Performance Shares	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Nine Months Ended September 30, 2022:				
Non-vested at January 1, 2022	127,602	$ 42.27	12,437	$ 37.05
Granted	52,819	83.33	11,415	72.81
Vested	(26,563)	43.51	-	-
Forfeited	(8,206)	61.70	-	-
Non-vested at September 30, 2022	145,652	$ 55.84	23,852	$ 54.16
Nine Months Ended September 30, 2021:				
Non-vested at January 1, 2021	84,307	$ 34.92	-	$ -
Granted	69,295	48.92	12,437	37.05
Vested	(13,024)	28.44	-	-
Forfeited	(11,725)	39.59	-	-
Non-vested at September 30, 2021	128,853	$ 42.68	12,437	$ 37.05

NOTE 8 - DERIVATIVES

The Company periodically enters into derivative contracts to manage exposures to movements in interest rates. The Company purchased an interest rate cap in May of 2020 to limit exposures to increases in interest rates. The interest rate cap is not designated as a hedging instrument. The interest rate cap has an original term of 3 years, a notional amount of $300 million and is tied to the one-month LIBOR rate with a strike rate of 0.50%. The fair value of the interest rate cap is carried on the Consolidated Balance Sheet in other assets and the change in fair value is recognized in noninterest income each quarter. At September 30, 2022, the interest rate cap had a fair value of $6.5 million and remaining term of 0.5 years. If LIBOR is deemed unrepresentative at any time, the reference rate for the cap would be governed by the fallback protocol where LIBOR will be adjusted to the Secured Overnight Financing Rate ("SOFR") plus the five-year median spread.

The Company has entered into forward loan sale commitments with secondary market investors to deliver loans on a "best efforts delivery" basis, which do not meet the definition of a derivative instrument. When a rate is committed to a borrower, it is based on the best price that day and locked with the investor for the customer for a 30-day period. In the event the loan is not delivered to the investor, the Company has no risk or exposure with the investor. Interest rate lock commitments with customers related to loans that are originated for later sale are classified as derivatives. The fair values of the Company's rate lock commitments to customers as of September 30, 2022 and December 31, 2021 were not material.

NOTE 9 – RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

In July 2021, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2021-05*, Leases (Topic 842)*: *Lessors-Certain Leases with Variable Lease Payments*, which amends guidance so that lessors are no longer required to record a selling loss at lease commencement for a lease with any variable lease payments that do not depend on an index or rate. A lessor would classify such leases as an operating lease rather than a sales-type or direct financing lease. The update was effective for the Company as of January 1, 2022. The adoption of ASU 2021-05 did not have an impact on the Company's consolidated financial statements.

NOTE 10 - RECENT ACCOUNTING PRONOUNCEMENTS

In March 2022, the FASB issued ASU 2022-02, *Financial Instruments—Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures.* The update eliminates the TDR recognition and measurement guidance and, instead, requires that an entity evaluate whether all modifications represent a new loan or a continuation of an existing loan. The amendments also enhance existing disclosure requirements and introduce new requirements related to certain modifications of loans made to borrowers experiencing financial difficulty. These amendments also require disclosure of current-period gross write-offs by year of origination for financing receivables and net investment in leases within the scope of Subtopic 326-20. The update is effective for entities that have adopted ASU No. 2016-13 (the CECL model) for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. These amendments should be applied prospectively, except that an entity has the option to apply a modified retrospective transition method to the recognition and measurement of TDRs. Early adoption is permitted if an entity has adopted ASU No. 2016-13, including adoption in an interim period as of the beginning of the fiscal year that includes the interim period. An entity may elect to early adopt the amendments about TDRs and related disclosure enhancements separately from the amendments related to vintage disclosures. The Company is assessing the impact of adopting the update on its financial statements and disclosures and is currently planning to adopt effective January 1, 2023.

In June 2022, The FASB issued ASU 2022-03, *Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions.* The update clarifies that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. This update is effective for public business entities for fiscal years, including interim periods within those fiscal years, beginning after December 15, 2023. Early adoption is permitted. The Company is assessing the impact of adopting the update on its financial statements and disclosures.

NOTE 11 - FAIR VALUE MEASUREMENT

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

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

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

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

Derivative instruments. The fair values of derivatives are determined based on a valuation pricing model using readily available observable market parameters such as interest rate curves, adjusted for counterparty credit risk. These measurements are classified as level 2 within the valuation hierarchy.

Loans Individually Evaluated. Loans individually evaluated are measured and reported at fair value when full payment under the loan terms is not probable. Loans individually evaluated are carried at the present value of expected future cash flows using a discounted cash flow calculation, or the fair value of the collateral if the loan is collateral-dependent. Expected cash flows are based on internal inputs reflecting expected default rates on contractual cash flows. This method of estimating fair value does not incorporate the exit-price concept of fair value described in ASC 820-10 and would generally result in a higher value than the exit-price approach. For loans measured using the estimated fair value of collateral less costs to sell, fair value is generally determined based on appraisals performed by certified and licensed appraisers using inputs such as absorption rates, capitalization rates and market comparables, adjusted for estimated costs to sell. Management modifies the appraised values, if needed, to take into account recent developments in the market or other factors, such as changes in absorption rates or market conditions from the time of valuation, and anticipated sales values considering management's plans for disposition. Such modifications to the appraised values could result in lower valuations of such collateral. Estimated costs to sell are based on current amounts of disposal costs for similar assets. These measurements are classified as Level 3 within the valuation hierarchy. Loans individually evaluated are subject to nonrecurring fair value adjustment upon initial recognition or subsequent individual evaluation. A portion of the allowance for credit losses is allocated to loans individually evaluated if the value of such loans is deemed to be less than the unpaid balance. The range of fair value adjustments and weighted average adjustment as of September 30, 2022 was 0% to 100% and 18.7%, respectively. The range of fair value adjustments and weighted average adjustment as of December 31, 2021 was 0% to 75% and 24.1% respectively. Loans individually evaluated are reviewed and evaluated on at least a quarterly basis for additional impairment and adjusted accordingly based on the same factors identified above. The amount recognized to write-down individually evaluated loans that are measured at fair value on a nonrecurring basis was $1.4 million and $3.2 million during the three and nine months ended September 30, 2022, respectively, and $113,000 and $3.4 million during the three and nine months ended September 30, 2021, respectively.

Other Real Estate Owned. Other real estate assets ("OREO") acquired through, or in lieu of, foreclosure are held for sale and are initially recorded at the lower of cost or fair value, less selling costs. Any write-downs to fair value at the time of transfer to OREO are charged to the allowance for credit losses subsequent to foreclosure. Values are derived from appraisals of underlying collateral and discounted cash flow analysis. Appraisals are performed by certified and licensed appraisers. Subsequent to foreclosure, valuations are updated periodically and assets are marked to current fair value, not to exceed the new cost basis. In the determination of fair value subsequent to foreclosure, management also considers other factors or recent developments, such as changes in absorption rates and market conditions from the time of valuation, and anticipated sales values considering management's plans for disposition, which could result in adjustment to lower the property value estimates indicated in the appraisals. The range of fair value adjustments and weighted average adjustment as of September 30, 2022 was 0% to 53% and 44.2%, respectively. The range of fair value adjustments and weighted average adjustment as of December 31, 2021 was 0% to 100% and 40.6%, respectively. These measurements are classified as Level 3 within the valuation hierarchy. A gain on the sale and write-downs of OREO and repossessed assets of $232,000 was recognized for the nine months ended September 30, 2022, and a loss of $115,000 and $1.1 million for the three and nine months ended September 30, 2021, respectively. These charges were for write-downs in the value of OREO subsequent to foreclosure and losses on the disposal of OREO.

There were two residential real estate loans with a balance of $287,000 foreclosed and classified as OREO as of September 30, 2022, compared to one residential real estate loan foreclosure for $50,000 as of December 31, 2021.

There were no residential real estate loans in the process of being foreclosed as of September 30, 2022. There was one residential real estate loan for $299,000 in process of foreclosure as of December 31, 2021.

The following table presents the Company's financial assets carried at fair value on a recurring basis as of September 30, 2022 and December 31, 2021. There were no liabilities measured at fair value on a recurring basis as of September 30, 2022 and December 31, 2021.

	Fair Value Measurements at September 30, 2022 Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets Measured on a Recurring Basis:		(In Thousands)		
Available-for-sale debt securities:				
U.S. Treasury securities	$ 5,952	$ -	$ -	$ 5,952
Government agencies	-	9	-	9
Mortgage-backed securities	-	257,764	-	257,764
State and municipal securities	-	15,020	-	15,020
Corporate debt	-	381,019	6,000	387,019
Total available-for-sale debt securities	5,952	653,812	6,000	665,763
Interest rate cap derivative	-	6,446	-	6,446
Total assets at fair value	$ 5,952	$ 660,258	$ 6,000	$ 672,209

	Fair Value Measurements at December 31, 2021 Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets Measured on a Recurring Basis:		(In Thousands)		
Available-for-sale debt securities:				
U.S. Treasury securities	$ 9,104	$ -	$ -	$ 9,104
Government agencies	-	6,041	-	6,041
Mortgage-backed securities	-	425,161	-	425,161
State and municipal securities	-	21,634	-	21,634
Corporate debt	-	363,638	16,992	380,630
Total available-for-sale debt securities	9,104	816,474	16,992	842,570
Interest rate cap derivative	-	1,152	-	1,152
Total assets at fair value	$ 9,104	$ 817,626	$ 16,992	$ 843,722

The following table presents the Company's financial assets carried at fair value on a nonrecurring basis as of September 30, 2022 and December 31, 2021. There were no liabilities measured at fair value on a non-recurring basis as of September 30, 2022, and December 31, 2021.

	Fair Value Measurements at September 30, 2022			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets Measured on a Nonrecurring Basis:		(In Thousands)		
Loans individually evaluated	$ -	$ -	$ 68,204	$ 68,204
Other real estate owned and repossessed assets	-	-	1,245	1,245
Total assets at fair value	$ -	$ -	$ 69,449	$ 69,449

	Fair Value Measurements at December 31, 2021			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets Measured on a Nonrecurring Basis:		(In Thousands)		
Loans individually evaluated	$ -	$ -	$ 73,173	$ 73,173
Other real estate owned and repossessed assets	-	-	1,208	1,208
Total assets at fair value	$ -	$ -	$ 74,381	$ 74,381

In the case of the investment securities portfolio, the Company monitors the portfolio to ascertain when transfers between levels are required. The nature of the remaining assets and liabilities is such that transfers in and out of any level are expected to be rare. For the nine months ended September 30, 2022, there were three transfers between Levels 1, 2 or 3.

The table below includes a rollforward of the balance sheet amounts for the three and nine months ended September 30, 2022 and September 30, 2021 (including the change in fair value) for financial instruments classified by the Company within Level 3 of the valuation hierarchy measured at fair value on a recurring basis including changes in fair value due in part to observable factors that are part of the valuation methodology:

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
	Available-for-sale Securities	Available-for-sale Securities	Available-for-sale Securities	Available-for-sale Securities
	(In Thousands)			
Fair value, beginning of period	$ 6,000	$ 14,994	$ 16,992	$ -
Transfers into Level 3	-	-	-	6,000
Total realized gains included in income	-	-	-	-
Changes in unrealized gains/losses included in other comprehensive income for assets and liabilities still held at period-end	-	24	(805)	518
Purchases	-	5,500	-	18,000
Transfers out of Level 3	-	(3,500)	(10,187)	(7,500)
Fair value, end of period	$ 6,000	$ 17,018	$ 6,000	$ 17,018

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

The estimated fair values of the Company's financial instruments not measured at fair value on a recurring or non-recurring basis as of September 30, 2022 and December 31, 2021 were as follows:

	September 30, 2022		December 31, 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In Thousands)			
Financial Assets:				
Level 1 inputs:				
Cash and due from banks	$ 406,010	$ 406,010	$ 4,163,724	$ 4,163,724
Level 2 inputs:				
Federal funds sold	82,316	82,316	58,372	58,372
Held to maturity debt securities	1,048,590	942,032	462,707	466,036
Mortgage loans held for sale	2,003	1,942	1,114	1,111
Restricted equity securities	7,734	7,734	7,311	7,311
Level 3 inputs:				
Held to maturity debt securities	250	250	250	250
Loans, net	11,069,443	10,916,118	9,416,274	9,403,012
Financial liabilities:				
Level 2 inputs:				
Deposits	$ 11,051,915	$ 11,030,991	$ 12,452,836	$ 12,454,140
Federal funds purchased	1,466,322	1,466,322	1,711,777	1,711,777
Other borrowings	64,721	56,860	64,706	65,476

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

The following discussion and analysis is designed to provide a better understanding of various factors relating to the results of operations and financial condition of ServisFirst Bancshares, Inc. (the "Company") and its wholly-owned subsidiary, ServisFirst Bank (the "Bank"). This discussion is intended to supplement and highlight information contained in the accompanying unaudited consolidated financial statements as of and for the three and nine months ended September 30, 2022 and September 30, 2021.

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 as a result of our reclassification as a large financial institution by the FDIC; changes in our loan portfolio and the 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, including, but not limited to, economic stimulus initiatives and the ability of the U.S. Congress to increase the U.S. statutory debt limit as needed; 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-bank financial institutions. 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 2022 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 full-service banking offices located in Alabama, Florida, Georgia, South Carolina, and Tennessee. We also operate loan production offices in Florida and North Carolina. 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.

Third quarter highlights

- Diluted earnings per common share of $1.17 for the third quarter of 2022, an increase of 22%, from the third quarter 2021.
- Average loans of $10.92 billion for the third quarter of 2022 increased $2.24 billion, or 26%, from a year ago.
- Net interest income of $126.4 million for the third quarter of 2022, an increase of $30.1 million, or 31%, from the third quarter of 2021. Net interest margin of 3.64% for the third quarter of 2022 increased 79 basis points from 2.85% in the third quarter of 2021. The increase primarily resulted from increased yields in 2022 and increases in average non-interest-bearing deposits and equity.

Overview

As of September 30, 2022, we had consolidated total assets of $13.89 billion, down $1.6 billion, or 10.1%, from total assets of $15.45 billion at December 31, 2021. Total loans were $11.28 billion at September 30, 2022, up $1.75 billion, or 18.3%, from $9.53 billion at December 31, 2021. Total deposits were $11.05 billion at September 30, 2022, down $1.40 billion, or 11.3%, from $12.45 billion at December 31, 2021.

Net income available to common stockholders for the three months ended September 30, 2022 was $64.0 million, up $11.5 million, or 22.0%, from $52.5 million for the three months ended September 30, 2021. Basic and diluted earnings per common share were $1.18 and $1.17, respectively, for the three months ended September 30, 2022, compared to $0.97 and $0.96, respectively, in the corresponding period in 2021.

Net income available to common stockholders for the nine months ended September 30, 2022 was $183.7 million, up $29.8 million, or 19.4%, from $154.0 million for the corresponding period in 2021. Basic and diluted earnings per common share were $3.38 and $3.37, respectively, for the nine months ended September 30, 2022, compared to $2.84 and $2.83, respectively, for the corresponding period in 2021.

Performance Ratios

The following table presents selected ratios of our results of operations for the three and nine ended September 30, 2022, and 2021.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Return on average assets	1.77%	1.50%	1.64%	1.58%
Return on average stockholders' equity	20.49%	18.93%	20.44%	19.45%
Dividend payout ratio	19.07%	20.75%	20.28%	21.22%
Net interest margin (1)	3.64%	2.85%	3.26%	3.03%
Efficiency ratio (2)	31.54%	32.95%	31.93%	30.57%
Average stockholders' equity to average total assets	8.61%	7.91%	8.02%	8.12%

(1) Net interest margin in the net yield on interest earning assets and is the difference between the interest yield earned on interest-earning assets and interest rate paid on interest-bearing liabilities, divided by average earning assets.
(2) Efficiency ratio is the result of noninterest expense divided by the sum of net interest income and noninterest income.

Financial Condition

Cash and Cash Equivalents

At September 30, 2022, we had $82.3 million in federal funds sold, compared to $58.4 million at December 31, 2021. We also maintain balances at the Federal Reserve Bank of Atlanta, which earn interest. At September 30, 2022, we had $145.3 million in balances at the Federal Reserve, compared to $4.07 billion at December 31, 2021. This decrease in balances at the Federal Reserve is the result of loan growth and decreases in deposits.

Investment Securities

Debt securities available for sale totaled $665.8 million at September 30, 2022 and $842.6 million at December 31, 2021. Investment securities held to maturity totaled $1.05 billion at September 30, 2022 and $463.0 million at December 31, 2021. We had paydowns of $107.4 million on mortgage-backed securities and government agencies, maturities of $25.9 million on municipal bonds, corporate securities and treasury securities, and calls of $24.5 million on U.S. government agencies and municipal securities during the nine months ended September 30, 2022. We recognized a $6.2 million loss on the sale of available for sale debt securities during the nine months ended September 30, 2022. We sold sixteen debt securities available for sale for $75.0 million that were yielding less than 1.00%. We purchased $361.6 million in US Treasuries, $286.7 million in mortgage-backed securities, and $76.4 million in corporate securities during the nine months ended September 30, 2022. For a tabular presentation of debt securities available for sale and held to maturity at September 30, 2022 and December 31, 2021, 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.

All investment securities in an unrealized loss position as of September 30, 2022 continue to perform as scheduled. We have evaluated the securities and have determined that the decline in fair value, relative to their amortized cost, is not due to credit-related factors. In addition, we have the ability to hold these securities within the portfolio until maturity or until the value recovers, and we believe that it is not likely that we will be required to sell these securities prior to recovery. We continue to monitor all of our securities with a high degree of scrutiny. There can be no assurance that we will not conclude in future periods that conditions existing at that time indicate some or all of its securities may be sold or would require a charge to earnings as a provision for credit losses in such periods.

The Company does not invest in collateralized debt obligations ("CDOs"). As of September 30, 2022, we had $410.7 billion of bank holding company subordinated notes. If rated, all such bonds were rated BBB or better by Kroll Bond Rating Agency at the time of our initial investment. All other corporate bonds had a Standard and Poor's or Moody's rating of A-1 or better when purchased. Municipal investments have a combined average credit rating of AA as of September 30, 2022.

The carrying value of investment securities pledged to secure public funds on deposit and for other purposes as required by law was $748.3 million and $463.1 million as of September 30, 2022 and December 31, 2021, respectively.

Loans

We had total loans of $11.28 billion at September 30, 2022, up $1.75 billion, or 18.3%, compared to $9.53 billion at December 31, 2021. We originated approximately 7,400 PPP loans totaling $1.5 billion during the COVID-19 pandemic. Total remaining PPP loans outstanding were $7.2 million and $230.2 million at September 30, 2022 and December 31, 2021, respectively.

Asset Quality

The Company assesses the adequacy of its allowance for credit losses ("ACL") at the end of each calendar quarter. The level of ACL is based on the Company's evaluation of historical default and loss experience, current and projected economic conditions, asset quality trends, known and inherent risks in the portfolio, adverse situations that may affect the borrowers' ability to repay a loan, the estimated value of any underlying collateral, composition of the loan portfolio and other relevant factors. The ACL is increased by a provision for credit losses, which is charged to expense, and reduced by charge-offs, net of recoveries. The ACL is believed adequate to absorb all expected future losses to be recognized over the contractual life of the loans in the portfolio.

Loans with similar risk characteristics are evaluated in pools and, depending on the nature of each identified pool, the Company utilizes a discounted cash flow ("DCF"), probability of default / loss given default ("PD/LGD") or remaining life method. The historical loss experience estimate by pool is then adjusted by forecast factors that are quantitatively related to the Company's historical credit loss experience, such as national unemployment rates and gross domestic product. Losses are predicted over a period of time determined to be reasonable and supportable, and at the end of the reasonable and supportable period losses are reverted to long term historical averages. The reasonable and supportable period and reversion period are re-evaluated each quarter by the Company and are dependent on the current economic environment among other factors. See "Note 1 – General" and "Note 5 – Loans" in the Notes to Consolidated Financial Statements included in Item 1. Consolidated Financial Statements elsewhere in this report.

The expected credit losses for each loan pool are then adjusted for changes in qualitative factors not inherently considered in the quantitative analyses. The qualitative adjustments either increase or decrease the quantitative model estimation. The Company considers factors that are relevant within the qualitative framework which include the following: lending policy, changes in nature and volume of loans, staff experience, changes in volume and trends of problem loans, concentration risk, trends in underlying collateral values, external factors, quality of loan review system and other economic conditions.

Expected credit losses for loans that no longer share similar risk characteristics with the collectively evaluated pools are excluded from the collective evaluation and estimated on an individual basis. Individual evaluations are performed for nonaccrual loans, loans rated substandard, and modified loans classified as TDRs. Specific allocations of the ACL for credit losses are estimated on one of several methods, including the estimated fair value of the underlying collateral, observable market value of similar debt or the present value of expected cash flows.

	As of and for the Three Months Ended September 30,		As of and for the Nine Months Ended September 30,	
	2022	2021	2022	2021
	(Dollars in thousands)			
Total loans outstanding, net of unearned income	$ 11,278,614	$ 8,812,811	$ 11,278,614	$ 8,812,811
Average loans outstanding, net of unearned income	$ 10,919,957	$ 8,680,174	$ 10,034,565	$ 8,613,172
Allowance for credit losses at beginning of period	128,387	104,670	116,660	87,942
Charge-offs:				
Commercial, financial and agricultural loans	2,902	1,541	7,143	2,168
Real estate - construction	-	-	-	-
Real estate - mortgage	170	208	220	279
Consumer loans	261	86	459	227
Total charge-offs	3,333	1,835	7,822	2,674
Recoveries:				
Commercial, financial and agricultural loans	297	140	1,619	464
Real estate - construction	-	-	-	52
Real estate - mortgage	-	4	-	68
Consumer loans	12	8	37	32
Total recoveries	309	152	1,656	616
Net charge-offs	3,024	1,683	6,166	2,058
Provision for credit losses	15,603	5,963	30,472	23,066
Allowance for credit losses at period end	$ 140,967	$ 108,950	$ 140,967	$ 108,950
Allowance for credit losses to period end loans	1.25%	1.24%	1.25%	1.24%
Net charge-offs to average loans	0.11%	0.08%	0.08%	0.03%

September 30, 2022	Amount	Percentage of loans in each category to total loans
	(In Thousands)	
Commercial, financial and agricultural	$ 42,834	33.22%
Real estate - construction	40,016	10.08%
Real estate - mortgage	56,043	55.97%
Consumer	2,074	0.73%
Total	$ 140,967	100.00%

December 31, 2021	Amount	Percentage of loans in each category to total loans
	(In Thousands)	
Commercial, financial and agricultural	$ 41,869	31.30%
Real estate - construction	26,994	11.57%
Real estate - mortgage	45,829	56.43%
Consumer	1,968	0.70%
Total	$ 116,660	100.00%

Nonperforming Assets

Total nonperforming loans, which include nonaccrual loans and loans 90 or more days past due and still accruing, increased to $16.5 million at September 30, 2022, compared to $12.1 million at December 31, 2021. Of this total, nonaccrual loans of $11.7 million at September 30, 2022 represented a net increase of $4.9 million from nonaccrual loans at December 31, 2021. Excluding credit card accounts, there were two loans 90 or more days past due and still accruing totaling $4.8 million at September 30, 2022, compared to four loans totaling $5.3 million at December 31, 2021. TDRs at September 30, 2022 and December 31, 2021 were $2.0 million and $2.6 million, respectively.

The following table summarizes our nonperforming assets and TDRs at September 30, 2022 and December 31, 2021:

	September 30, 2022		December 31, 2021	
	Balance	Number of Loans	Balance	Number of Loans
	(Dollar Amounts In Thousands)			
Nonaccrual loans:				
Commercial, financial and agricultural	$ 8,714	22	$ 4,343	17
Real estate - construction	-	-	-	-
Real estate - mortgage:				
Owner-occupied commercial	1,020	3	1,021	2
1-4 family mortgage	1,372	13	1,398	12
Other mortgage	506	2	-	-
Total real estate - mortgage	2,899	18	2,419	14
Consumer	42	1	-	-
Total Nonaccrual loans:	$ 11,655	41	$ 6,762	31
90+ days past due and accruing:				
Commercial, financial and agricultural	$ 95	10	$ 39	4
Real estate - construction	-	-	-	-
Real estate - mortgage:				
Owner-occupied commercial	-	-	-	-
1-4 family mortgage	79	1	611	3
Other mortgage	4,548	1	4,656	1
Total real estate - mortgage	4,627	2	5,267	4
Consumer	82	26	29	22
Total 90+ days past due and accruing:	$ 4,803	38	$ 5,335	30
Total Nonperforming Loans:	$ 16,458	79	$ 12,097	61
Plus: Other real estate owned and repossessions	1,245	7	1,208	5
Total Nonperforming Assets	$ 17,703	86	$ 13,305	66
Restructured accruing loans:				
Commercial, financial and agricultural	$ 236	1	$ 431	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:	$ 236	1	$ 431	2
Total Nonperforming assets and restructured accruing loans	$ 17,939	87	$ 13,736	68
Ratios:				
Nonperforming loans to total loans	0.15%		0.13%	
Nonperforming assets to total loans plus other real estate owned and repossessions	0.16%		0.14%	
Nonperforming assets plus restructured accruing loans to total loans plus other real estate owned and repossessions	0.16%		0.14%	

OREO and repossessed assets remained unchanged at $1.2 million at September 30, 2022, from December 31, 2021. The following table summarizes OREO and repossessed asset activity for the nine months ended September 30, 2022 and 2021:

	Nine Months Ended September 30,	
	2022	2021
	(In thousands)	
Balance at beginning of period	$ 1,208	$ 6,497
Transfers from loans and capitalized expenses	1,045	1,419
Proceeds from sales	(1,240)	(911)
Internally financed sales	-	(3,779)
Write-downs / net gain (loss) on sales	232	(1,158)
Balance at end of period	$ 1,245	$ 2,068

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 if management believes that the collection of interest is not 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 credit losses to reflect management's estimate of any potential exposure or loss. Generally, payments received on nonaccrual loans are applied directly to principal.

In keeping with guidance from regulators, the Company continues to work with COVID-19 affected borrowers to defer their payments and interest. While interest continues to accrue to income, through normal GAAP accounting, should eventual credit losses on these deferred payments emerge, the related loans would be placed on nonaccrual status and interest income accrued would be reversed. In such a scenario, interest income in future periods could be negatively impacted. As of September 30, 2022, the Company carries $2.5 million of accrued interest income on deferrals made to COVID-19 affected borrowers compared to $4.0 million at December 31, 2021. At this time, the Company is unable to project the materiality of such an impact on future deferrals to COVID-19 affected borrowers but recognizes the breadth of the economic impact may affect its borrowers' ability to repay in future periods.

Deposits

We rely on increasing our deposit base to fund loan and other asset growth. Each of our markets is highly competitive. We compete for local deposits by offering attractive products with competitive rates. We expect to have a higher average cost of funds for local deposits than competitor banks due to our lack of an extensive branch network. Our management's strategy is to offset the higher cost of funding with a lower level of operating expense and firm pricing discipline for loan products. We have promoted electronic banking services by providing them without charge and by offering in-bank customer training. Total deposits were $11.05 billion at September 30, 2022, a decrease of $1.40 billion, or 11.3%, from $12.45 billion at December 31, 2021. We saw some run-off in correspondent deposits during the third quarter of 2022, while the non-correspondent deposits were stable during the quarter. It was to be expected that our correspondent banks would engage in lending, security purchases, and funding their balance sheet; however, the volume may be slightly higher than we anticipated. 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 September 30, 2022 and December 31, 2021:

	September 30, 2022		December 31, 2021	
Noninterest-bearing demand	$ 3,661,936	33.13%	$ 4,799,767	38.54%
Interest-bearing demand	1,773,122	16.04%	1,652,710	13.27%
Money market	4,605,010	41.67%	5,094,313	40.91%
Savings	145,504	1.32%	97,946	0.79%
Time deposits , $250,000 and under	263,634	2.39%	267,164	2.15%
Time deposits, over $250,000	552,708	5.00%	490,936	3.94%
Brokered time deposits	50,000	0.45%	50,000	0.40%
	$ 11,051,915	100.00%	$ 12,452,836	100.00%

At September 30, 2022 and December 31, 2021, we estimate that we had approximately $8.58 billion and $10.65 billion, respectively, in uninsured deposits, which are the portion of deposit accounts that exceed the FDIC insurance limit.

The following table presents the maturities of our time deposits in excess of FDIC insurance limits as of September 30, 2022.

Time deposits otherwise uninsured with a maturity of:	Portion of time deposits in excess of insurance limit September 30, 2022 (In Thousands)
3 months or less	$ 93,433
Over 3 through 6 months	76,820
Over 6 months through 12 months	94,878
Over 12 months	132,310
Total	$ 397,441

The uninsured deposit data for 2022 and 2021 reflect the deposit insurance impact of "combined ownership segregation" of escrow and other accounts at an aggregate level but do not reflect an evaluation of all of the account styling distinctions that would determine the availability of deposit insurance to individual accounts based on FDIC regulations.

Other Borrowings

Our borrowings consist of federal funds purchased and subordinated notes payable. We had $1.47 billion and $1.71 billion at September 30, 2022 and December 31, 2021, respectively, in federal funds purchased from correspondent banks that are clients of our correspondent banking unit. The average rate paid on these borrowings was 2.27% for the quarter ended September 30, 2022. Other borrowings consist of the following:

- $34.75 million of the Company's 4% Subordinated Notes due October 21, 2030, which were issued in a private placement in October 2020 and pay interest semi-annually. The Notes may not be prepaid by the Company prior to October 21, 2025.
- $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. The Notes may not be prepaid by the Company prior to November 8, 2022.

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. Our current deposit levels are sufficient to maintain liquidity needs but if our liquidity were to decline due to a run-off in deposits, we have procedures that provide for certain actions under varying liquidity conditions. These actions include borrowing from existing correspondent banks, selling or participating loans, and curtailing loan commitments and funding. At September 30, 2022, liquid assets, which are represented by cash and due from banks, federal funds sold and unpledged available-for-sale securities, totaled $1.57 billion. At September 30, 2022, the Bank had borrowing availability of approximately $963.0 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 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 believe these sources of funding are adequate to meet both our immediate (within the next 12 months) and our longer term anticipated funding needs. However, we may need additional funding in order to maintain our current growth rate into the future.

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 increasing interest rates and inflation may adversely affect our ability to obtain funding or may increase the cost of funding.

The following table illustrates, during the periods presented, the mix of our funding sources and the assets in which those funds are invested as a percentage of our average total assets for the period indicated. Average assets totaled $14.39 billion and $15.00 billion for the three and nine months ended September 30, 2022 and 2021, respectively.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Sources of Funds:				
Deposits:				
Non-interest-bearing	30.6%	27.3%	32.1%	25.3%
Interest-bearing	49.4	55.3	48.7	57.7
Federal funds purchased	10.4	8.7	10.4	7.8
Long term debt and other borrowings	0.5	0.5	0.4	0.5
Other liabilities	0.4	0.4	0.3	0.7
Equity capital	8.8	7.8	8.1	8.0
Total sources	100.0%	100.0%	100.0%	100.0%
Uses of Funds:				
Loans	75.9%	62.4%	67.0%	66.2%
Securities	12.5	7.1	11.2	7.2
Interest-bearing balances with banks	6.6	27.1	18.1	22.6
Federal funds sold	0.7	0.1	0.2	0.1
Other assets	4.3	3.4	3.5	3.9
Total uses	100.0%	100.0%	100.0%	100.0%

Capital Adequacy

Total stockholders' equity attributable to us at September 30, 2022 was $1.24 billion, or 8.94% of total assets. At December 31, 2021, total stockholders' equity attributable to us was $1.15 billion, or 7.45% of total assets.

As of September 30, 2022, 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 and that we meet leverage ratio requirements inclusive of the applicable 2.5% capital conservation buffer as of September 30, 2022

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 applicable 2.5% capital conservation buffer, of capital to total regulatory or risk-weighted assets, as of September 30, 2022, December 31, 2021 and September 30, 2021:

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of September 30, 2022			(Dollars in Thousands)			
CET 1 Capital to Risk-Weighted Assets:						
Consolidated	$ 1,272,564	9.42%	$ 607,684	4.50%	N/A	N/A
ServisFirst Bank	1,332,933	9.87%	607,645	4.50%	$ 877,710	6.50%
Tier 1 Capital to Risk-Weighted Assets:						
Consolidated	1,273,064	9.43%	810,245	6.00%	N/A	N/A
ServisFirst Bank	1,333,433	9.87%	810,194	6.00%	1,080,259	8.00%
Total Capital to Risk-Weighted Assets:						
Consolidated	1,480,681	10.96%	1,080,326	8.00%	N/A	N/A
ServisFirst Bank	1,476,329	10.93%	1,080,259	8.00%	1,350,323	10.00
Tier 1 Capital to Average Assets:						
Consolidated	1,273,064	8.84%	576,098	4.00%	N/A	N/A
ServisFirst Bank	1,333,433	9.26%	576,009	4.00%	720,011	5.00%
As of December 31, 2021						
CET 1 Capital to Risk-Weighted Assets:						
Consolidated	$ 1,123,826	9.95%	$ 508,027	4.50%	N/A	N/A
ServisFirst Bank	1,185,161	10.50%	507,969	4.50%	$ 733,733	6.50%
Tier 1 Capital to Risk-Weighted Assets:						
Consolidated	1,124,326	9.96%	677,370	6.00%	N/A	N/A
ServisFirst Bank	1,185,661	10.50%	677,292	6.00%	903,056	8.00%
Total Capital to Risk-Weighted Assets:						
Consolidated	1,306,992	11.58%	903,160	8.00%	N/A	N/A
ServisFirst Bank	1,303,621	11.55%	903,056	8.00%	1,128,821	10.00%
Tier 1 Capital to Average Assets:						
Consolidated	1,124,326	7.39%	608,883	4.00%	N/A	N/A
ServisFirst Bank	1,185,661	7.79%	608,826	4.00%	761,033	5.00%
As of September 30, 2021						
CET 1 Capital to Risk-Weighted Assets:						
Consolidated	$ 1,081,750	10.46%	$ 465,322	4.50%	N/A	N/A
ServisFirst Bank	1,143,936	11.06%	465,264	4.50%	$ 672,047	6.50%
Tier 1 Capital to Risk-Weighted Assets:						
Consolidated	1,082,250	10.47%	620,429	6.00%	N/A	N/A
ServisFirst Bank	1,144,436	11.07%	620,352	6.00%	827,135	8.00%
Total Capital to Risk-Weighted Assets:						
Consolidated	1,258,901	12.17%	827,239	8.00%	N/A	N/A
ServisFirst Bank	1,256,386	12.15%	827,135	8.00%	1,033,919	10.00%
Tier 1 Capital to Average Assets:						
Consolidated	1,082,250	7.80%	554,910	4.00%	N/A	N/A
ServisFirst Bank	1,144,436	8.25%	554,858	4.00%	693,572	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.

Commitments and Contingencies

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 arrangements. All such credit arrangements bear interest at variable rates and we have no such credit arrangements which bear interest at fixed rates.

Our exposure to credit loss in the event of non-performance by the other party to such financial instrument for commitments to extend credit, credit card arrangements and standby letters of credit is represented by the contractual or notional amount of these instruments. We use the same credit policies in making commitments and conditional obligations as we do for on-balance sheet instruments.

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.

Financial instruments whose contract amounts represent credit risk at September 30, 2022 are as follows:

	September 30, 2022
	(In Thousands)
Commitments to extend credit	$ 4,236,751
Credit card arrangements	408,550
Standby letters of credit	72,740
	$ 4,718,041

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 September 30, 2022 was $64.0 million compared to net income and net income available to common stockholders of $52.5 million for the three months ended September 30, 2021. Net income and net income available to common stockholders for the nine months ended September 30, 2022 was $183.8 million and $183.7 million, respectively, compared to net income and net income available to common stockholders of $154.0 million for the nine months ended September 30, 2021. For the three and nine months ended September 30, 2022 compared to 2021 net interest income increased $30.1 million, and $65.2 million, respectively. The increase in net interest income for the three and nine -month periods is primarily attributable to growth in average earning assets and non-interest-bearing deposit balances. Increases in non-interest expense of $8.3 million and $25.1 million and increases in income tax expense of $1.5 million and $3.1 million, respectively, for the three and nine months ended September 30, 2022 compared to 2021 partially offset increases in net interest income.

Basic and diluted earnings per common share were $1.18 and $1.17, respectively, for the three months ended September 30, 2022, compared to $0.97 and $0.96, respectively, for the corresponding period in 2021. Basic and diluted earnings per common share were $3.38 and $3.37, respectively, for the nine months ended September 30, 2022, compared to $2.84 and $2.83, respectively, for the corresponding period in 2021. Return on average assets for the three and nine months ended September 30, 2022 was 1.77% and 1.64% compared to 1.50% and 1.63%, respectively, for the corresponding periods in 2021. Return on average common stockholders' equity for the three and nine months ended September 30, 2022 was 20.49% and 20.44%, respectively, compared to 18.93% and 19.73%, respectively, for the corresponding periods in 2021.

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 $30.1 million, or 31.2%, to $126.5 million for the three months ended September 30, 2022 compared to $96.4 million for the corresponding period in 2021, and increased $65.1 million, or 23.0%, to $348.7 million for the nine months ended September 30, 2022 compared to $283.6 million for the corresponding period in 2021. This increase was primarily attributable to growth in average earning assets, which increased $341.7 million, or 2.5%, from the third quarter of 2021 to the third quarter of 2022, and $1.79 billion, or 14.3%, from the nine months ended September 30, 2021 to the same period in 2022. The taxable-equivalent yield on interest-earning assets increased to 4.30% for the three months ended September 30, 2022 from 3.08% for the corresponding period in 2021, and increased to 3.63% for the nine months ended September 30, 2022 from 3.28% for the corresponding period in 2021. The yield on loans for the three months ended September 30, 2022 was 4.77% compared to 4.39% for the corresponding period in 2021, and 4.51% compared to 4.43% for the nine months ended September 30, 2022 and September 30, 2021, respectively. The cost of total interest-bearing liabilities increased to 1.05% for the three months ended September 30, 2022 compared to 0.35% for the corresponding period in 2021, and increased to 0.61% for the nine months ended September 30, 2022 from 0.37% for the corresponding period in 2021. Net interest margin for the three months ended September 30, 2022 was 3.64% compared to 2.85% for the corresponding period in 2021, and 3.26% for the nine months ended September 30, 2022 compared to 3.03% for the corresponding period in 2021. During the third quarter of 2022, the Federal Reserve Bank increased their targeted federal funds rate from 1.50 - 1.75% to 3.00 – 3.25%. We believe our net interest income will benefit from this and future rate increases as we anticipate a lag in deposit pricing increases to loan pricing increases.

The following tables show, for the three and nine months ended September 30, 2022 and September 30, 2021, 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 September 30,
(In thousands, except Average Yields and Rates)

	2022			2021		
	Average Balance	Interest Earned / Paid	Average Yield / Rate	Average Balance	Interest Earned / Paid	Average Yield / Rate
Assets:						
Interest-earning assets:						
Loans, net of unearned						
Taxable	$ 10,900,105	$ 131,187	4.77%	$ 8,653,632	$ 95,870	4.40%
Tax-exempt (3)	19,852	207	4.14	26,542	271	4.05
Total loans, net of unearned income	10,919,957	131,394	4.77	8,680,174	96,141	4.39
Mortgage loans held for sale	2,906	20	2.73	7,050	30	1.69
Investment securities:						
Taxable	1,797,560	11,089	2.47	969,715	6,545	2.70
Tax-exempt (3)	5,863	35	2.39	12,382	74	2.39
Total debt	1,803,423	11,124	2.47	982,097	6,619	2.70
Federal funds sold	102,028	632	2.46	8,551	4	0.19
Restricted equity securities	7,724	71	3.65	-	-	-
Interest-bearing balances with banks	945,142	6,102	2.56	3,761,652	1,506	0.16
Total interest-earning assets	$ 13,781,180	$ 149,343	4.30	$ 13,439,524	$ 104,300	3.08
Non-interest-earning assets:						
Cash and due from banks	256,607			90,034		
Net fixed assets and equipment	60,155			62,845		
Allowance for credit losses, accrued interest and other assets	294,006			315,178		
Total assets	$ 14,391,948			$ 13,907,581		
Liabilities and stockholders' equity:						
Interest-bearing liabilities:						
Interest-bearing demand deposits	$ 1,722,926	$ 1,235	0.28%	$ 1,431,420	$ 694	0.19%
Savings deposits	144,368	75	0.21	122,579	54	0.17
Money market accounts	4,444,583	9,982	0.89	5,328,291	3,494	0.26
Time deposits	809,057	2,363	1.16	806,108	2,341	1.15
Total interest-bearing deposits	7,120,934	13,655	0.76	7,688,398	6,583	0.34
Federal funds purchased	1,493,444	8,536	2.27	1,205,327	643	0.21
Other borrowings	65,406	690	4.19	64,694	690	4.23
Total interest-bearing liabilities	$ 8,679,784	$ 22,881	1.05%	$ 8,958,419	$ 7,916	0.35%
Non-interest-bearing liabilities:						
Non-interest-bearing demand deposits	4,410,318			3,800,972		
Other liabilities	62,093			48,060		
Stockholders' equity	1,263,870			1,078,987		
Accumulated other comprehensive (loss) income	(24,117)			21,143		
Total liabilities and stockholders' equity	$ 14,391,948			$ 13,907,581		
Net interest income		$ 126,462			$ 96,384	
Net interest spread			3.25%			2.73%
Net interest margin			3.64%			2.85%

(1) Non-accrual loans are included in average loan balances in all periods. Loan fees of $3,849 and $7,203 are included in interest income in the third quarter of 2022 and 2021, respectively. Loan fees include accretion of PPP loan fees.
(2) Amortization of acquired loan premiums of $38 and $21 is included in interest income in 2022 and 2021, respectively.
(3) Interest income and yields are presented on a fully taxable equivalent basis using a tax rate of 21%.
(4) Unrealized (losses) gains of $(36,817) and $26,709 are excluded from the yield calculation in the third quarter of 2022 and 2021, respectively.

	For the Three Months Ended September 30, 2022 Compared to 2021 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	$ 26,501	$ 8,816	$ 35,317
Tax-exempt	(70)	6	(64)
Total loans, net of unearned income	26,431	8,822	35,253
Mortgages held for sale	(23)	13	(10)
Debt securities:			
Taxable	5,151	(607)	4,544
Tax-exempt	(39)	-	(39)
Total debt securities	5,112	(607)	4,505
Federal funds sold	297	331	628
Restricted equity securities	71	-	71
Interest-bearing balances with banks	(1,933)	6,529	4,596
Total interest-earning assets	$ 29,955	$ 15,088	$ 45,043
Interest-bearing liabilities:			
Interest-bearing demand deposits	$ 161	$ 380	$ 541
Savings	11	10	21
Money market accounts	(669)	7,157	6,488
Time deposits	9	13	22
Total interest-bearing deposits	(488)	7,560	7,072
Federal funds purchased	190	7,703	7,893
Other borrowed funds	8	(8)	-
Total interest-bearing liabilities	(290)	15,255	14,965
Increase in net interest income	$ 30,245	$ (167)	$ 30,078

Our growth in loans continues to drive favorable volume component change and overall change. The rate component was unfavorable as loan yields increased 38 basis points and average rates paid on interest-bearing liabilities increased 70 basis points. Growth in non-interest-bearing deposits and equity also contributed to the increase in net interest revenue during the three months ended September 30, 2022 compared to the same period in 2021.

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

	2022			2021		
	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	$ 10,233,704	$ 345,165	4.51%	$ 8,586,180	$ 284,548	4.43%
Tax-exempt (3)	22,868	717	4.19	26,992	834	4.13
Total loans, net of unearned income	10,256,572	345,882	4.51	8,613,172	285,382	4.43
Mortgage loans held for sale	1,442	29	2.69	10,683	150	1.88
Investment securities:						
Taxable	1,698,208	29,828	2.35	928,567	18,666	2.69
Tax-exempt (3)	7,263	136	2.50	16,748	315	2.51
Total debt securities (4)	1,705,471	29,964	2.35	945,315	18,981	2.68
Federal funds sold	50,102	738	1.97	9,558	11	0.15
Restricted equity securities	7,608	211	4	-	-	-
Interest-bearing balances with banks	2,295,282	12,389	1	2,943,629	3,046	3.28
Total interest-earning assets	$ 14,316,477	$ 389,213	3.63%	$ 12,522,357	$ 307,570	3.28%
Non-interest-earning assets:						
Cash and due from banks	179,378			127,963		
Net fixed assets and equipment	60,675			60,448		
Allowance for credit losses, accrued interest and other assets	301,675			318,745		
Total assets	$ 14,858,205			$ 13,029,513		
Liabilities and stockholders' equity:						
Interest-bearing liabilities:						
Interest-bearing demand deposits	$ 1,672,861	$ 2,903	0.23%	$ 1,359,212	$ 1,954	0.19%
Savings deposits	138,160	194	0.19	106,853	142	0.18
Money market accounts	4,680,296	17,017	0.49	5,236,809	10,348	0.26
Time deposits	789,463	5,811	0.98	805,523	7,854	1.30
Total interest-bearing deposits	7,280,780	25,925	0.48	7,508,397	20,298	0.36
Federal funds purchased	1,554,283	12,539	1.08	1,009,905	1,630	0.22
Other borrowings	65,406	2,070	4.23	64,691	2,070	4.28
Total interest-bearing liabilities	$ 8,900,469	$ 40,534	0.61%	$ 8,582,993	$ 23,998	0.37%
Non-interest-bearing liabilities:						
Non-interest-bearing demand deposits	4,700,160			3,295,530		
Other liabilities	59,362			92,641		
Stockholders' equity	1,209,209			1,038,336		
Accumulated other comprehensive (loss) income	(10,995)			20,013		
Total liabilities and stockholders' equity	$ 14,858,205			$ 13,029,513		
Net interest income		$ 348,679			$ 283,572	
Net interest spread			3.02%			2.91%
Net interest margin			3.26%			3.03%

(1) Non-accrual loans are included in average loan balances in all periods. Loan fees include accretion of PPP loan fees of $15,975 and $27,519 are included in interest income in 2022 and 2021, respectively.
(2) Amortization of acquired loan premiums of $108 and $43 is included in interest income in 2022 and 2021, respectively.
(3) Interest income and yields are presented on a fully taxable equivalent basis using a tax rate of 21%.
(4) Unrealized (losses) gains of $(14,920) and $25,276 are excluded from the yield calculation in 2022 and 2021, respectively.

	For the Nine Months Ended September 30, 2022 Compared to 2021 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	$ 55,486	$ 5,131	$ 60,617
Tax-exempt	(129)	12	(117)
Total loans, net of unearned income	55,357	5,143	60,500
Mortgages held for sale	(167)	46	(121)
Debt securities:			
Taxable	13,776	(2,614)	11,162
Tax-exempt	(178)	(1)	(179)
Total debt securities	13,598	(2,615)	10,983
Federal funds sold	193	534	727
Restricted equity securities	211	-	211
Interest-bearing balances with banks	(811)	10,154	9,343
Total interest-earning assets	$ 68,381	$ 13,262	$ 81,643
Interest-bearing liabilities:			
Interest-bearing demand deposits	$ 500	$ 449	$ 949
Savings	44	8	52
Money market accounts	(1,204)	7,873	6,669
Time deposits	(154)	(1,889)	(2,043)
Total interest-bearing deposits	(814)	6,441	5,627
Federal funds purchased	1,297	9,612	10,909
Other borrowed funds	23	(23)	-
Total interest-bearing liabilities	506	16,030	16,536
Increase in net interest income	$ 67,875	$ (2,768)	$ 65,107

Our growth in loans continues to drive favorable volume component change and overall change. The rate component was unfavorable as loan yields increased 8 basis points while average rates paid on interest-bearing liabilities increased 24 basis point. Growth in non-interest-bearing deposits and equity also contributed to the increase in net interest revenue during the nine months ended September 30, 2022 compared to the same period in 2021.

Provision for Credit Losses

The provision for credit losses was $15.6 million for the three months ended September 30, 2022, an increase of $9.6 million from $5.9 million for the three months ended September 30, 2021, and was $30.5 million for the nine months ended September 30, 2022, a $7.4 million increase compared to $23.1 million for the nine months ended September 30, 2021. The increase in provision expense is primarily the result of deterioration in the economic projections used to inform loss driver forecasts within the ACL model. The ACL for September 30, 2022 and December 31, 2021 was $141.0 million and $116.7 million, or 1.25% and 1.22% of loans, net of unearned income, respectively. Annualized net credit charge-offs to quarter-to-date average loans were 0.11% for the three months ended September 30, 2022, compared to 0.08% for the same period in 2021. Annualized net credit charge-offs to year-to-date average loans were 0.08% for the nine months ended September 30, 2022, compared to 0.03% for the corresponding period in 2021. Nonperforming loans increased to $16.5 million, or 0.15% of total loans, at September 30, 2022 from $12.1 million, or 0.13% of total loans, at December 31, 2021, and were $14.5 million, or 0.16% of total loans, at September 30, 2021. See the section captioned "Asset Quality" located elsewhere in this item for additional discussion related to provision for credit losses.

Noninterest Income

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2022	2021	$ change	% change	2022	2021	$ change	% change
Noninterest income:								
Service charges on deposit accounts	$ 1,892	$ 1,727	$ 165	9.6 %	$ 6,167	$ 5,542	$ 625	11.3 %
Mortgage banking	784	1,423	(639)	(44.9)%	1,924	6,869	(4,945)	(72.0)%
Credit card income	2,612	2,043	569	27.9 %	7,656	5,147	2,509	48.7 %
Securities gains	-	-	-	- %	(6,168)	620	(6,788)	(1,094.8)%
Increase in cash surrender value life insurance	1,637	1,671	(34)	(2.0)%	4,878	5,012	(134)	(2.7)%
Other operating income	2,014	1,162	852	73.3 %	11,936	2,897	9,039	312.0 %
Total non-interest income	$ 8,939	$ 8,026	$ 913	11.4 %	$ 26,393	$ 26,087	$ 306	1.2 %

Noninterest income totaled $8.9 million for the three months ended September 30, 2022, an increase of $913,000 compared to the corresponding period in 2021, and totaled $26.4 million for the nine months ended September 30, 2022, an increase of $306,000, or 1.2%, compared to the corresponding period in 2021. Mortgage banking income decreased $639,000, or 44.9%, to $784,000 for the three months ended September 30, 2022 compared to $1.4 million for the same period in 2021, and decreased $4.9 million, or 72.0%, to $1.9 million for the nine months ended September 30, 2022 compared to $6.9 million for the same period in 2021. The decrease in mortgage revenue was predominantly driven by rising borrowing costs and slowing housing sales. Net credit card income increased $569,000 to $2.6 million for the three months ended September 30, 2022 compared to the same period in 2021, and increased $2.5 million to $7.7 million for the nine months ended September 30, 2022 compared to the same period in 2021. The aggregate amount of spend on all credit card accounts increased 27.2% during the third quarter of 2022 compared to the third quarter of 2021. Increase in cash surrender value of life insurance decreased $34,000, or 2.0%, to $1.6 million during the three months ended September 30, 2022, compared to the corresponding period in 2021, and decreased $134,000, or 2.7%, to $4.9 million for the nine months ended September 30, 2022 compared to $5 million for the same period in 2021. Other income increased $852,000, or 73.3%, to $2.0 million for the three months ended September 30, 2022 compared to $1.2 million for the same period in 2021, and increased $9.0 million, or 312.0%, to $11.9 million for the nine months ended September 30, 2022 compared to $2.9 million for the same period in 2021. We recognized $1.3 million of income related to our interest rate cap during the third quarter 2022 and $6.5 million year-to-date 2022 compared to a write down of $98,000 during the third quarter of 2021 and a write-up of $174,000 year-to-date 2021. Merchant service revenue increased from $375,000 during the third quarter of 2021 to $468,000, or 25%, during the third quarter of 2022.

Noninterest Expense

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2022	2021	$ change	% change	2022	2021	$ change	% change
Noninterest expense:								
Salaries and employee benefits	$ 19,687	$ 17,995	$ 1,692	9.4 %	$ 58,722	$ 50,425	$ 8,297	16.5 %
Equipment and occupancy expense	3,140	2,996	144	4.8 %	9,056	8,494	562	6.6 %
Third party processing and other services	7,213	4,144	3,069	74.1 %	19,163	11,506	7,657	66.5 %
Professional services	1,036	948	88	9.3 %	3,355	2,978	377	12.7 %
FDIC and other regulatory assessments	975	1,630	(655)	(40.2)%	3,254	4,637	(1,383)	(29.8)%
OREO expense	21	123	(102)	(82.9)%	56	820	(764)	(93.2)%
Other operating expense	10,613	6,541	4,072	62.3 %	26,118	15,740	10,378	65.9 %
Total non-interest expense	$ 42,685	$ 34,377	$ 8,308	24.2 %	$ 119,724	$ 94,600	$ 25,124	26.6 %

Noninterest expense totaled $42.7 million for the three months ended September 30, 2022, an increase of $8.3 million, or 24.2%, compared to $34.4 million for the same period in 2021, and totaled $119.7 million for the nine months ended September 30, 2022, an increase of $25.1 million, or 26.6%, compared to $94.6 million for the same period in 2021.

Details of more significant expense fluctuations are as follows:

- Salary and benefit expense increased $1.7 million, or 9.4%, to $19.7 million for the three months ended September 30, 2022, from $18.0 million for the same period in 2021, and increased $8.3 million, or 16.5%, to $58.7 million for the nine months ended September 30, 2022 from $50.4 million for the same period in 2021. The increase is primarily due to an increase in the number of employees, adding 13 bankers during the third quarter of 2022, and 15 bankers during the second quarter of 2022. Total employees increased from 518 as of September 30, 2021, to 558 as of September 30, 2022.
- Third party processing and other services increased $3.1 million, or 74.1%, to $7.2 million for the three months ended September 30, 2022, from $4.1 million for the corresponding period in 2021, and increased $7.7 million, or 66.5%, to $19.2 million for the nine months ended September 30, 2022 compared to $11.5 million for the corresponding period in 2021. This increase in third party processing includes Federal Reserve Bank charges related to correspondent bank settlement activities. These charges increased by $3.0 million year-over-year to $3.7 million during the third quarter of 2022.

- FDIC and other regulatory assessments decreased $655,000, or 40.2%, to $975,000.0 for the three months ended September 30, 2022 from $1.6 million for the corresponding period in 2021, and decreased $1 million, or 29.8%, to $3.3 million for the nine months ended September 30, 2022 compared to $4.6 million for the corresponding period in 2021.
- OREO expense decreased $102,000, or 82.9%, to $21,000 for the three months ended September 30, 2022 from $123,000 for the corresponding period in 2021, and decreased $764,000, or 93.2%, to $56,000 from $820,000 for the nine months ended September 30, 2022 compared to the corresponding period in 2021. The decrease in OREO expense was largely due to decreases in our OREO balances between September 30, 2021 and September 30, 2022.
- Other operating expenses increased $4.1 million, or 62.3%, to $10.6 million for the three months ended September 30, 2022, from $6.5 million for the corresponding period in 2021, and increased $10.4 million, or 65.9%, to $26.1 million from $15.7 million for the nine months ended September 30, 2022 compared to the corresponding period in 2021. During the third quarter of 2022 we reached a preliminary settlement on a lawsuit and wrote down the value of a private investment resulting together in charges of $3.1 million, or $2.4 million net of income tax.

Income Tax Expense

Income tax expense was $13.0 million for the three months ended September 30, 2022 compared to $11.5 million for the same period in 2021, and was $40.9 million for the nine months ended September 30, 2022, compared to $37.8 million for the same period in 2021. Our effective tax rate for the three and nine months ended September 30, 2022 was 16.92% and 18.21%, respectively, compared to 17.98% and 19.71% for the corresponding periods in 2021, respectively. We recognized $3.1 million and $9.4 million related to investments in tax credit partnerships during the three and nine months ended September 30, 2022, respectively, compared to $3.3 million and $3.6 million during the same periods in 2021, respectively. We recognized excess tax benefits as an income tax credit to our income tax expense from the exercise and vesting of stock options and restricted stock during the three and nine months ended September 30, 2022 of $370,000 and $1.3 million, respectively, compared to $78,000 and $2.4 million during the three and nine months ended September 30, 2021, 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.

Critical Accounting Estimates

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. In management’s opinion, certain accounting policies have a more significant impact than others on the Company’s financial reporting. The allowance for credit losses and income taxes are particularly significant for the Company’s financial reporting. Information concerning our accounting policies and critical accounting estimates 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, 2021. There were no changes to the accounting policies for the allowance for credit losses or income taxes during the three and nine months ended September 30, 2022.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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

The asset-liability committee thoroughly analyzes the maturities of rate-sensitive assets and liabilities. This analysis measures the "gap", which is defined as the difference between the dollar amount of rate-sensitive assets repricing during a period and the dollar amount of rate-sensitive liabilities repricing during the same period. The gap is also expressed as the ratio of rate-sensitive assets divided by rate-sensitive liabilities. If the ratio is greater than one, the dollar value of assets exceeds the dollar value of liabilities; the balance sheet is "asset-sensitive." Conversely, if the value of liabilities exceeds the value of assets, the ratio is less than one and the balance sheet is "liability-sensitive." Our internal policy requires management to maintain the gap such that net interest margins will not change more than 10% if interest rates change 100 basis points or more than 15% if interest rates change 200 basis points. There have been no changes to our policies or procedures for analyzing our interest rate risk since December 31, 2021, and there have been no material changes to our sensitivity to changes in interest rates since December 31, 2021, as disclosed in our Annual Report on Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES

CEO and CFO Certification.

Appearing as exhibits to this report are Certifications of our Chief Executive Officer ("CEO") and our Chief Financial Officer ("CFO"). The Certifications are required to be made by Rule 13a-14 or Rule 15d-14 under the Securities Exchange Act of 1934. This item contains the information about the evaluation that is referred to in the Certifications, and the information set forth below in this Item 4 should be read in conjunction with the Certifications for a more complete understanding of the Certifications.

Evaluation of Disclosure Controls and Procedures.

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

We conducted an evaluation (the "Evaluation") of the effectiveness of the design and operation of our disclosure controls and procedures under the supervision and with the participation of our management, including our CEO and CFO, as of September 30, 2022. Based upon the Evaluation, our CEO and CFO have concluded that, as of September 30, 2022, our disclosure controls and procedures are effective to ensure that material information relating to the Company. and its subsidiaries is made known to management, including the CEO and CFO, particularly during the period when our periodic reports are being prepared.

Changes in Internal Control Over Financial Reporting

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

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time we may be a party to various legal proceedings arising in the ordinary course of business. Management does not believe the Company or the Bank is currently a party to any material legal proceedings.

ITEM 1A. RISK FACTORS

Our business is influenced by many factors that are difficult to predict, involve uncertainties that may materially affect actual results and are often beyond our control. We have identified a number of these risk factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021, which should be taken into consideration when reviewing the information contained in this report. There have been no material changes in the Company's risk factors from those disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2021.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit:	Description
31.01	Certification of principal executive officer pursuant to Rule 13a-14(a).
31.02	Certification of principal financial officer pursuant to Rule 13a-14(a).
32.01	Certification of principal executive officer pursuant to 18 U.S.C. Section 1350.
32.02	Certification of principal financial officer pursuant to 18 U.S.C. Section 1350.
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

** denotes management contract or compensatory plan or arrangement*

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: October 31, 2022	By	/s/ Thomas A. Broughton III Thomas A. Broughton III President and Chief Executive Officer
Date: October 31, 2022	By	/s/ William M. Foshee William M. Foshee Chief Financial Officer

Exhibit 31.01

Section 302 Certification of the CEO

I, Thomas A. Broughton III, certify that:

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

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

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

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

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

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

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

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

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or 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: October 31, 2022

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

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

Exhibit 31.02

Section 302 Certification of the CFO

I, William M. Foshee, certify that:

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

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

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

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

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

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

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

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

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

(a) all significant deficiencies and material weaknesses in the design or operation of internal 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: October 31, 2022

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

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

Exhibit 32.01

Section 906 Certification of the CEO

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

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of ServisFirst Bancshares, Inc. (the "Company") certifies that, to his knowledge, the Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Date: October 31, 2022

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

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

Exhibit 32.02

Section 906 Certification of the CFO

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

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of ServisFirst Bancshares, Inc. (the "Company") certifies that, to his knowledge, the Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Date: October 31, 2022

/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.