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 MARCH 31, 2023

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

Commission file number 001-36452

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

Delaware	**26-0734029**
(State or Other Jurisdiction of Incorporation or Organization)	*(I.R.S. Employer Identification No.)*
2500 Woodcrest Place, Birmingham, Alabama	**35209**
(Address of Principal Executive Offices)	*(Zip Code)*

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of exchange on which registered
Common stock, par value $.001 per share	SFBS	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 the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act

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

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

Class	Outstanding as of April 28, 2023
Common stock, $.001 par value	54,282,132

TABLE OF CONTENTS

PART 1. FINANCIAL INFORMATION
ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

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

	March 31, 2023 (Unaudited)	December 31, 2022 (1)
ASSETS		
Cash and due from banks	$ 139,175	$ 106,317
Interest-bearing balances due from depository institutions	725,318	708,221
Federal funds sold	6,478	1,515
Cash and cash equivalents	870,971	816,053
Available for sale debt securities, at fair value	624,948	644,815
Held to maturity debt securities (fair value of $937,961 at March 31, 2023 and $935,953 at December 31, 2022)	1,021,989	1,034,121
Restricted equity securities	7,307	7,734
Mortgage loans held for sale	1,651	1,607
Loans	11,629,802	11,687,968
Less allowance for credit losses	(148,965)	(146,297)
Loans, net	11,480,837	11,541,671
Premises and equipment, net	60,093	59,850
Accrued interest and dividends receivable	50,500	48,422
Deferred tax asset, net	60,666	60,448
Other real estate owned and repossessed assets	248	248
Bank owned life insurance contracts	289,374	287,752
Goodwill and other identifiable intangible assets	13,615	13,615
Other assets	84,360	79,417
Total assets	$ 14,566,559	$ 14,595,753
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Noninterest-bearing	$ 2,898,736	$ 3,321,347
Interest-bearing	8,716,581	8,225,458
Total deposits	11,615,317	11,546,805
Federal funds purchased	1,480,160	1,618,798
Other borrowings	65,417	64,726
Accrued interest payable	20,541	18,615
Other liabilities	45,307	48,913
Total liabilities	13,226,742	13,297,857
Stockholders' equity:		
Preferred stock, par value $0.001 per share; 1,000,000 authorized and undesignated at March 31, 2023 and December 31, 2022	-	-
Common stock, par value $0.001 per share; 200,000,000 shares authorized: 54,398,025 shares issued and outstanding at March 31, 2023; and 54,326,527 shares issued and outstanding at December 31, 2022	54	54
Additional paid-in capital	229,631	229,693
Retained earnings	1,152,681	1,109,902
Accumulated other comprehensive loss	(43,049)	(42,253)
Total stockholders' equity attributable to ServisFirst Bancshares, Inc.	1,339,317	1,297,396
Noncontrolling interest	500	500
Total stockholders' equity	1,339,817	1,297,896
Total liabilities and stockholders' equity	$ 14,566,559	$ 14,595,753

(1) derived from audited financial statements.

See Notes to Consolidated Financial Statements.

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

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Interest income:		
Interest and fees on loans	$ 163,732	$ 103,105
Taxable securities	10,895	8,223
Nontaxable securities	21	43
Federal funds sold	614	13
Other interest and dividends	6,060	1,804
Total interest income	181,322	113,188
Interest expense:		
Deposits	55,713	5,843
Borrowed funds	17,308	1,623
Total interest expense	73,021	7,466
Net interest income	108,301	105,722
Provision for credit losses	4,197	5,362
Net interest income after provision for credit losses	104,104	100,360
Noninterest income:		
Service charges on deposit accounts	1,934	2,142
Mortgage banking	442	526
Credit card income	1,689	2,372
Securities losses	-	(3,335)
Increase in cash surrender value life insurance	1,621	1,608
Other operating income	635	4,635
Total noninterest income	6,321	7,948
Noninterest expense:		
Salaries and employee benefits	19,066	18,301
Equipment and occupancy	3,435	2,933
Third party processing and other services	7,284	5,605
Professional services	1,654	992
FDIC and other regulatory assessments	1,517	1,132
Other real estate owned	6	3
Other operating expense	6,702	8,252
Total noninterest expense	39,664	37,218
Income before income taxes	70,761	71,090
Provision for income taxes	12,790	13,477
Net income	57,971	57,613
Dividends on preferred stock	-	-
Net income available to common stockholders	$ 57,971	$ 57,613
Basic earnings per common share	$ 1.07	$ 1.06
Diluted earnings per common share	$ 1.06	$ 1.06

See Notes to Consolidated Financial Statements.

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

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Net income	$ 57,971	$ 57,613
Other comprehensive loss, net of tax:		
Unrealized net holding losses arising during period from securities available for sale, net of tax of $(221) and $(7,004) for 2023 and 2022, respectively	(666)	(26,997)
Amortization of net unrealized gains on securities transferred from available-for-sale to held-to-maturity, net of tax of $(45) and $(150) for 2023 and 2022, respectively	(129)	(569)
Reclassification adjustment for net losses on sales of securities, net of tax of $700 for 2022	-	2,635
Other comprehensive loss, net of tax	(796)	(24,931)
Comprehensive income	$ 57,175	$ 32,682

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

	Three Months Ended March 31,							
	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, 2022	54,227,060	$ -	$ 54	$ 226,397	$ 911,008	$ 14,056	$ 500	$ 1,152,015
Common dividends declared, $0.23 per share	-	-	-	-	(12,485)	-	-	(12,485)
Dividends on nonvested restricted stock recognized as compensation expense	-	-	-	-	33	-	-	33
Issue restricted shares pursuant to stock incentives, net of forfeitures	26,974	-	-	-	-	-	-	-
Issue shares of common stock upon exercise of stock options	28,098	-	-	553	-	-	-	553
8,402 shares of common stock withheld in net settlement upon exercise of stock options	-	-	-	(613)	-	-	-	(613)
Stock-based compensation expense	-	-	-	790	-	-	-	790
Other comprehensive loss, net of tax	-	-	-	-	-	(24,931)	-	(24,931)
Net income	-	-	-	-	57,613	-	-	57,613
Balance, March 31, 2022	54,282,132	$ -	$ 54	$ 227,127	$ 956,169	$ (10,875)	$ 500	$ 1,172,975
Balance, January 1, 2023	54,326,527	-	54	229,693	1,109,902	(42,253)	500	1,297,896
Common dividends declared, $0.28 per share	-	-	-	-	(15,233)	-	-	(15,233)
Dividends on nonvested restricted stock recognized as compensation expense	-	-	-	-	41	-	-	41
Issue restricted shares pursuant tostock incentives, net of forfeitures	20,713	-	-	-	-	-	-	-
Issue shares of common stock upon exercise of stock options	50,785	-	-	846	-	-	-	846
24,215 shares of common stock withheld in net settlement upon exercise of stock options	-	-	-	(1,716)	-	-	-	(1,716)
Stock-based compensation expense	-	-	-	808	-	-	-	808
Other comprehensive loss, net of tax	-	-	-	-	-	(796)	-	(796)
Net income	-	-	-	-	57,971	-	-	57,971
Balance, March 31, 2023	54,398,025	$ -	$ 54	$ 229,631	$ 1,152,681	$ (43,049)	$ 500	$ 1,339,817

See Notes to Consolidated Financial Statements.

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

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
OPERATING ACTIVITIES		
Net income	$ 57,971	$ 57,613
Adjustments to reconcile net income to net cash provided by		
Deferred tax	49	(5,257)
Provision for credit losses	4,197	5,362
Depreciation	1,071	1,058
Accretion on acquired loans	49	32
Amortization of core deposit intangible	-	23
Amortization of investments in tax credit partnerships	3,345	2,927
Net amortization of debt securities available for sale	128	1,376
(Increase) decrease in accrued interest and dividends receivable	(2,078)	443
Stock-based compensation expense	808	790
Increase in accrued interest and dividends payable	1,926	566
Proceeds from sale of mortgage loans held for sale	16,320	8,955
Originations of mortgage loans held for sale	(15,922)	(7,718)
Loss on sale of securities available for sale	-	3,335
Gain on sale of mortgage loans held for sale	(442)	(526)
Net gain on sale of other real estate owned and repossessed assets	-	(1)
Write down of other real estate owned and repossessed assets	-	6
Increase in cash surrender value of life insurance contracts	(1,621)	(1,608)
Net change in other assets, liabilities, and other operating activities	(10,652)	1,889
Net cash provided by operating activities	55,149	69,265
INVESTMENT ACTIVITIES		
Purchases of debt securities available for sale	-	(52,500)
Proceeds from maturities, calls and paydowns of debt securities available for sale	18,853	29,627
Proceeds from sale of debt securities available for sale	-	45,394
Purchases of debt securities held to maturity	-	(392,622)
Proceeds from maturities, calls and paydowns of debt securities held to maturity	11,960	21,554
Purchases of restricted equity securities	(12,750)	(423)
Proceeds from sale of restricted equity securities	13,177	-
Investment in tax credit partnerships and SBIC	(538)	(65)
Return of capital from tax credit partnerships and SBIC	-	249
Decrease (increase) in loans	56,588	(369,412)
Purchases of premises and equipment	(1,314)	(666)
Proceeds from sale of other real estate owned and repossessed assets	-	44
Net cash provided by (used in) investing activities	85,976	(718,820)
FINANCING ACTIVITIES		
Net (decrease) increase in non-interest-bearing deposits	(422,611)	89,728
Net increase (decrease) in interest-bearing deposits	491,123	(133,809)
Net decrease in federal funds purchased	(138,638)	(72,539)
FHLB advances	300,000	-
Repayment of FHLB advances	(300,000)	-
Proceeds from exercise of stock options	846	553
Taxes paid in net settlement of tax obligation upon exercise of stock options	(1,716)	(613)
Dividends paid on common stock	(15,211)	(12,472)
Net cash used in financing activities	(86,207)	(129,152)
Net increase (decrease) in cash and cash equivalents	54,918	(778,707)
Cash and cash equivalents at beginning of period	816,053	4,222,096
Cash and cash equivalents at end of period	$ 870,971	$ 3,443,389
SUPPLEMENTAL DISCLOSURE		
Cash paid for:		
Interest	$ 71,095	$ 6,900
Income taxes	1,920	591
Income tax refund	-	(142)
NONCASH TRANSACTIONS		
Other real estate acquired in settlement of loans	$ -	$ 830
Dividends on nonvested restricted stock reclassified as compensation expense	41	33
Dividends declared	15,233	12,485

See Notes to Consolidated Financial Statements.

NOTE 1 - GENERAL

The accompanying consolidated financial statements in this report have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission, including Regulation S-X and the instructions for Form 10-Q, and have not been audited. These consolidated financial statements do not include all of the information and footnotes required by U.S. generally accepted accounting principles ("U.S. GAAP") for complete financial statements. In the opinion of management, all adjustments necessary to present fairly the consolidated financial position and the consolidated results of operations for the interim periods have been made. All such adjustments are of a normal nature. The consolidated results of operations are not necessarily indicative of the consolidated results of operations which ServisFirst Bancshares, Inc. (the "Company") may achieve for future interim periods or the entire year. For further information, refer to the consolidated financial statements and footnotes included in the Company's Form 10-K for the year ended December 31, 2022.

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 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 month period ended March 31, 2023 and 2022, respectively.

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
	(In Thousands, Except Shares and Per Share Data)	
Earnings per common share		
Weighted average common shares outstanding	54,360,253	54,263,143
Net income available to common stockholders	$ 57,971	$ 57,613
Basic earnings per common share	$ 1.07	$ 1.06
Weighted average common shares outstanding	54,360,253	54,263,143
Dilutive effects of assumed conversions and exercise of stock options and warrants	174,229	258,899
Weighted average common and dilutive potential common shares outstanding	54,534,482	54,522,042
Net income available to common stockholders	$ 57,971	$ 57,613
Diluted earnings per common share	$ 1.06	$ 1.06

NOTE 4 - SECURITIES

The amortized cost and fair value of available-for-sale and held-to-maturity securities at March 31, 2023 and December 31, 2022 are summarized as follows:

	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Market Value
March 31, 2023		(In Thousands)		
Debt Securities Available for Sale				
U.S. Treasury Securities	$ 3,001	$ -	$ (11)	$ 2,990
Government Agency Securities	4	-	-	4
Mortgage-backed securities	272,070	7	(29,046)	243,031
State and municipal securities	14,646	2	(1,337)	13,311
Corporate debt	398,676	3	(33,067)	365,612
Total	$ 688,397	$ 12	$ (63,461)	$ 624,948
Debt Securities Held to Maturity				
U.S. Treasury Securities	$ 507,601	$ -	$ (30,021)	$ 477,580
Mortgage-backed securities	506,342	10	(53,190)	453,162
State and municipal securities	8,046	-	(827)	7,219
Total	$ 1,021,989	$ 10	$ (84,038)	$ 937,961
December 31, 2022				
Debt Securities Available for Sale				
U.S. Treasury Securities	$ 3,002	$ -	$ (33)	$ 2,969
Government Agency Securities	9	-	-	9
Mortgage-backed securities	282,480	5	(32,782)	249,703
State and municipal securities	15,205	1	(1,597)	13,609
Corporate debt	406,680	-	(28,155)	378,525
Total	$ 707,376	$ 6	$ (62,567)	$ 644,815
Debt Securities Held to Maturity				
U.S. Treasury Securities	$ 507,151	$ -	$ (36,197)	$ 470,954
Mortgage-backed securities	518,929	7	(60,960)	457,976
State and municipal securities	8,041	-	(1,018)	7,023
Total	$ 1,034,121	$ 7	$ (98,175)	$ 935,953

The amortized cost and fair value of debt securities as of March 31, 2023 and December 31, 2022 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.

	March 31, 2023		December 31, 2022	
	Amortized Cost	Market Value	Amortized Cost	Market Value
		(In Thousands)		
Debt securities available for sale				
Due within one year	$ 24,422	$ 24,042	$ 24,712	$ 24,432
Due from one to five years	59,243	57,178	58,554	57,092
Due from five to ten years	329,662	298,353	338,630	311,100
Due after ten years	3,000	2,344	3,000	2,488
Mortgage-backed securities	272,070	243,031	282,480	249,703
	$ 688,397	$ 624,948	$ 707,376	$ 644,815
Debt securities held to maturity				
Due within one year	$ 250	$ 250	$ 250	$ 250
Due from one to five years	386,897	370,166	386,465	366,095
Due from five to ten years	128,500	114,383	128,477	111,632
Due after ten years	-	-	-	-
Mortgage-backed securities	506,342	453,162	518,929	457,976
	$ 1,021,989	$ 937,961	$ 1,034,121	$ 935,953

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.

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

The carrying value of investment securities pledged to secure public funds on deposit and for other purposes as required by law was $834.9 million and $789.3 million as of March 31, 2023 and December 31, 2022, respectively.

The following table identifies, as of March 31, 2023 and December 31, 2022, 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
			(In Thousands)			
March 31, 2023						
Debt Securities available for sale						
U.S. Treasury Securities	$ -	$ -	$ (11)	$ 2,990	$ (11)	$ 2,990
Government Agency Securities	-	4	-	-	-	4
Mortgage-backed securities	(364)	8,468	(28,682)	233,956	(29,046)	242,424
State and municipal securities	(27)	3,328	(1,310)	9,202	(1,337)	12,530
Corporate debt	(8,809)	163,363	(24,258)	189,931	(33,067)	353,294
Total	$ (9,200)	$ 175,163	$ (54,261)	$ 436,079	$ (63,461)	$ 611,242
Debt Securities held to maturity						
U.S. Treasury Securities	$ (2,678)	$ 130,640	$ (27,343)	$ 346,939	$ (30,021)	$ 477,579
Mortgage-backed securities	(1,645)	31,827	(51,545)	416,994	(53,190)	448,821
State and municipal securities	-	-	(827)	6,969	(827)	6,969
Total	$ (4,323)	$ 162,467	$ (79,715)	$ 770,902	$ (84,038)	$ 933,369
December 31, 2022						
Debt Securities available for sale						
U.S. Treasury Securities	$ (33)	$ 2,969	$ -	$ -	$ (33)	$ 2,969
Government Agency Securities	-	9	-	-	-	9
Mortgage-backed securities	$ (3,473)	$ 60,234	$ (29,309)	$ 189,109	$ (32,782)	$ 249,343
State and municipal securities	(186)	5,283	(1,411)	7,880	(1,597)	13,163
Corporate debt	(18,566)	304,254	(9,589)	63,411	(28,155)	367,666
Total	$ (22,258)	$ 372,749	$ (40,309)	$ 260,400	$ (62,567)	$ 633,149
U.S. Treasury Securities	$ (12,662)	$ 295,383	$ (23,537)	$ 175,570	$ (36,197)	$ 470,953
Mortgage-backed securities	(31,367)	278,746	(29,592)	174,842	(60,960)	453,588
State and municipal securities	(544)	4,443	(474)	2,330	(1,018)	6,773
Total	$ (44,573)	$ 578,572	$ (53,603)	$ 352,742	$ (98,175)	$ 931,314

At March 31, 2023 and 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. Management measures expected credit losses on held-to-maturity securities on a collective basis by major security type with each type sharing similar risk characteristics and considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. With regard to U.S. Treasury and residential mortgage-backed securities issued by the U.S. government, or agencies thereof, it is expected that the securities will not be settled at prices less than the amortized cost bases of the securities as such securities are backed by the full faith and credit of and/or guaranteed by the U.S. government. Accordingly, no allowance for credit losses has been recorded for these securities. With regard to securities issued by States and political subdivisions and other held-to-maturity securities, management considers (i) issuer bond ratings, (ii) historical loss rates for given bond ratings, (iii) whether issuers continue to make timely principal and interest payments under the contractual terms of the securities, and (iv) internal forecasts. Historical loss rates associated with securities having similar grades as those in our portfolio have generally not been significant. Furthermore, as of March 31, 2023 and 2022, there were no past due principal or interest payments associated with these securities. Based upon (i) the issuer's strong bond ratings and (ii) a zero historical loss rate, no allowance for credit losses has been recorded for held-to-maturity State and Municipal Securities as such amount is not material at March 31, 2023 and 2022. All debt securities in an unrealized loss position as of March 31, 2023 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.

The following table summarizes information about sales of debt securities.

	Three Months Ended March 31,	
	2023	2022
	(In Thousands)	
Sale proceeds	$ -	$ 45,394
Gross realized gains	$ -	$ -
Gross realized losses	-	(3,335)
Net realized losses	$ -	$ (3,335)

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 ServisFirst 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 following table details the Company's loans at March 31, 2023 and December 31, 2022:

	March 31, 2023	December 31, 2022
	(Dollars In Thousands)	
Commercial, financial and agricultural	$ 3,081,926	$ 3,145,317
Real estate - construction	1,469,670	1,532,388
Real estate - mortgage:		
Owner-occupied commercial	2,243,436	2,199,280
1-4 family mortgage	1,138,645	1,146,831
Other mortgage	3,624,071	3,597,750
Subtotal: Real estate - mortgage	7,006,152	6,943,861
Consumer	72,054	66,402
Total Loans	11,629,802	11,687,968
Less: Allowance for credit losses	(148,965)	(146,297)
Net Loans	$ 11,480,837	$ 11,541,671
Commercial, financial and agricultural	26.50%	26.91%
Real estate - construction	12.64%	13.11%
Real estate - mortgage:		
Owner-occupied commercial	19.29%	18.82%
1-4 family mortgage	9.79%	9.81%
Other mortgage	31.16%	30.78%
Subtotal: Real estate - mortgage	60.24%	59.41%
Consumer	0.62%	0.57%
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 credit loss 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 obligor (or obligors, if any) or by the fair value, less cost to acquire and sell, of any underlying collateral.
- Special Mention – loans with potential weakness that may, if not reversed or corrected, weaken the credit or inadequately protect the Company's position at some future date. These loans are not adversely classified and do not expose an institution to sufficient risk to warrant an adverse classification.
- Substandard – loans that exhibit well-defined weakness or weaknesses that presently jeopardize debt repayment. These loans are characterized by the distinct possibility that the institution will sustain some loss if the weaknesses are not corrected.
- Doubtful – loans that have all the weaknesses inherent in loans classified substandard, plus the added characteristic that the weaknesses make collection or liquidation in full on the basis of currently existing facts, conditions, and values highly questionable and improbable.

The table below presents loan balances classified by credit quality indicator, loan type and based on year of origination as of March 31, 2023:

	2023	2022	2021	2020	2019	Prior	Revolving Loans	Revolving lines of credit converted to term loans	Total
					(In Thousands)				
Commercial, financial and agricultural									
(1-55) Pass	$ 160,551	$ 540,101	$ 471,521	$ 208,825	$ 136,657	$ 192,509	$ 1,252,905	$ 699	$ 2,963,768
(6) Special Mention	-	8,870	5,850	1,953	1,877	4,151	40,868	18	63,588
(7) Substandard - accruing	-	291	1,244	376	9,501	28,933	7,007	-	47,352
(7) Substandard -Non-accrual	-	697	146	-	-	3,345	3,030	-	7,219
Total Commercial, financial and agricultural	$ 160,551	$ 549,959	$ 478,760	$ 211,154	$ 148,035	$ 228,938	$ 1,303,811	$ 717	$ 3,081,926
Current-period gross charge-offs	-	616	-	-	-	428	212	-	1,257
Real estate - construction									
(1-55) Pass	$ 37,212	$ 661,294	$ 556,953	$ 105,265	$ 4,761	$ 21,591	$ 77,837	$ -	$ 1,464,913
(6) Special Mention	-	2,500	-	-	-	-	-	201	2,701
(7) Substandard - accruing	-	-	-	-	-	2,057	-	-	2,057
Total Real estate - construction	$ 37,212	$ 663,794	$ 556,953	$ 105,265	$ 4,761	$ 23,647	$ 77,837	$ 201	$ 1,469,670
Owner-occupied commercial									
(1-55) Pass	$ 28,219	$ 441,407	$ 536,773	$ 353,489	$ 187,145	$ 600,679	$ 63,267	$ 874	$ 2,211,853
(6) Special Mention	1,496	2,349	856	-	7,909	6,391	1,601	-	20,601
(7) Substandard - accruing	-	-	-	-	2,358	5,237	-	-	7,595
(7) Substandard -Non-accrual	-	-	-	-	48	3,340	-	-	3,388
Total Owner-occupied commercial	$ 29,715	$ 443,756	$ 537,629	$ 353,489	$ 197,461	$ 615,647	$ 64,867	$ 874	$ 2,243,436
Current-period gross charge-offs	-	-	-	-	26	-	-	-	26
1-4 family mortgage									
(1-55) Pass	$ 40,954	$ 383,389	$ 253,519	$ 91,609	$ 51,728	$ 80,635	$ 222,966	$ -	$ 1,124,800
(6) Special Mention	-	414	365	808	261	1,576	7,469	-	10,893
(7) Substandard - accruing	-	-	-	-	139	516	253	-	908
(7) Substandard -Non-accrual	-	-	423	405	540	622	54	-	2,044
Total 1-4 family mortgage	$ 40,954	$ 383,803	$ 254,307	$ 92,822	$ 52,668	$ 83,349	$ 230,742	$ -	$ 1,138,645
Other mortgage									
(1-55) Pass	$ 31,821	$ 1,075,262	$ 1,011,383	$ 515,230	$ 316,995	$ 581,406	$ 75,148	$ 246	$ 3,607,491
(6) Special Mention	-	-	-	-	-	4,456	-	-	4,456
(7) Substandard - accruing	-	233	-	-	-	11,385	-	-	11,618
(7) Substandard -Non-accrual	-	-	-	-	130	376	-	-	506
Total Other mortgage	$ 31,821	$ 1,075,495	$ 1,011,383	$ 515,230	$ 317,125	$ 597,623	$ 75,148	$ 246	$ 3,624,071
Consumer									
(1-55) Pass	$ 23,355	$ 6,607	$ 5,542	$ 2,697	$ 1,644	$ 3,190	$ 29,007	$ -	$ 72,042
(6) Special Mention	-	-	-	-	-	12	-	-	12
(7) Substandard - accruing	-	-	-	-	-	-	-	-	-
Total Consumer	$ 23,355	$ 6,607	$ 5,542	$ 2,697	$ 1,644	$ 3,202	$ 29,007	$ -	$ 72,054
Current-period gross charge-offs	-	-	-	-	-	-	391	-	391
Total Loans									
(1-55) Pass	$ 322,112	$ 3,108,059	$ 2,835,691	$ 1,277,114	$ 698,931	$ 1,480,009	$ 1,721,129	$ 1,819	$ 11,444,866
(6) Special Mention	1,496	14,133	7,070	2,761	10,047	16,586	49,938	219	102,250
(7) Substandard - accruing	-	524	1,244	376	11,998	48,128	7,260	-	69,530
(7) Substandard -Non-accrual	-	697	570	405	718	7,683	3,084	-	13,157
Total Loans	$ 323,608	$ 3,123,414	$ 2,844,575	$ 1,280,656	$ 721,694	$ 1,552,406	$ 1,781,412	$ 2,038	$ 11,629,802

Current-period gross charge-offs	$ -	$ 616	$ -	$ -	$ 26	$ 428	$ 603	$ -	$ 1,673

Loans by credit quality indicator, loan type and based on year of origination as of December 31, 2022 were as follows:

	2022	2021	2020	2019	2018	Prior	Revolving Loans	Total
				(In Thousands)				
Commercial, financial and agricultural								
Pass	$ 691,817	$ 502,648	$ 223,096	$ 144,587	$ 78,477	$ 134,893	$ 1,267,333	$ 3,042,851
Special Mention	6,906	3,737	1,101	1,748	570	898	29,516	44,476
Substandard	200	-	379	9,501	16,329	16,595	14,986	57,990
Total Commercial, financial and agricultural	$ 698,923	$ 506,385	$ 224,576	$ 155,836	$ 95,376	$ 152,386	$ 1,311,835	$ 3,145,317
Real estate - construction								
Pass	$ 618,578	$ 638,126	$ 156,834	$ 15,197	$ 12,063	$ 14,847	$ 72,172	$ 1,527,817
Special Mention	2,500	-	-	-	-	873	-	3,373
Substandard	-	-	-	-	1,198	-	-	1,198
Total Real estate - construction	$ 621,078	$ 638,126	$ 156,834	$ 15,197	$ 13,261	$ 15,720	$ 72,172	$ 1,532,388
Owner-occupied commercial								
Pass	$ 424,321	$ 496,298	$ 352,375	$ 199,987	$ 157,204	$ 477,926	$ 64,152	$ 2,172,263
Special Mention	2,362	-	-	2,723	4,682	6,917	1,687	18,371
Substandard	-	-	-	73	-	8,573	-	8,646
Total Owner-occupied commercial	$ 426,683	$ 496,298	$ 352,375	$ 202,783	$ 161,886	$ 493,416	$ 65,839	$ 2,199,280
1-4 family mortgage								
Pass	$ 388,778	$ 273,515	$ 93,272	$ 52,209	$ 28,999	$ 57,512	$ 243,302	$ 1,137,587
Special Mention	315	445	816	375	294	881	2,854	5,980
Substandard	-	279	404	648	346	1,224	363	3,264
Total 1-4 family mortgage	$ 389,093	$ 274,239	$ 94,492	$ 53,232	$ 29,639	$ 59,617	$ 246,519	$ 1,146,831
Other mortgage								
Pass	$ 1,027,747	$ 976,208	$ 517,392	$ 380,104	$ 130,228	$ 470,699	$ 75,669	$ 3,578,047
Special Mention	231	-	-	-	-	7,161	-	7,392
Substandard	-	-	-	130	4,569	7,612	-	12,311
Total Other mortgage	$ 1,027,978	$ 976,208	$ 517,392	$ 380,234	$ 134,797	$ 485,472	$ 75,669	$ 3,597,750
Consumer								
Pass	$ 21,132	$ 5,845	$ 4,203	$ 1,759	$ 440	$ 2,988	$ 30,021	$ 66,388
Special Mention	-	-	-	-	-	14	-	14
Substandard	-	-	-	-	-	-	-	-
Total Consumer	$ 21,132	$ 5,845	$ 4,203	$ 1,759	$ 440	$ 3,002	$ 30,021	$ 66,402
Total Loans								
Pass	$ 3,172,373	$ 2,892,640	$ 1,347,172	$ 793,843	$ 407,411	$ 1,158,865	$ 1,752,649	$ 11,524,953
Special Mention	12,314	4,182	1,917	4,846	5,546	16,744	34,057	79,606
Substandard	200	279	783	10,352	22,442	34,004	15,349	83,409
Total Loans	$ 3,184,887	$ 2,897,101	$ 1,349,872	$ 809,041	$ 435,399	$ 1,209,613	$ 1,802,055	$ 11,687,968

Loans by performance status as of March 31, 2023 and December 31, 2022 were as follows:

March 31, 2023	Performing	Nonperforming	Total
		(In Thousands)	
Commercial, financial and agricultural	$ 3,074,568	$ 7,358	$ 3,081,926
Real estate - construction	1,469,670	-	1,469,670
Real estate - mortgage:			
Owner-occupied commercial	2,240,048	3,388	2,243,436
1-4 family mortgage	1,136,601	2,044	1,138,645
Other mortgage	3,619,109	4,962	3,624,071
Total real estate - mortgage	6,995,758	10,394	7,006,152
Consumer	71,973	81	72,054
Total	$ 11,611,969	$ 17,833	$ 11,629,802

December 31, 2022	Performing	Nonperforming	Total
		(In Thousands)	
Commercial, financial and agricultural	$ 3,138,014	$ 7,303	$ 3,145,317
Real estate - construction	1,532,388	-	1,532,388
Real estate - mortgage:			
Owner-occupied commercial	2,195,968	3,312	2,199,280
1-4 family mortgage	1,144,713	2,118	1,146,831
Other mortgage	3,592,732	5,018	3,597,750
Total real estate - mortgage	6,933,413	10,448	6,943,861
Consumer	66,312	90	66,402
Total	$ 11,670,127	$ 17,841	$ 11,687,968

Loans by past due status as of March 31, 2023 and December 31, 2022 were as follows:

March 31, 2023	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	$ 1,023	$ 1,153	$ 139	$ 2,315	$ 7,219	$ 3,072,392	$ 3,081,926	$ 1,014
Real estate - construction	-	-	-	-	-	1,469,670	1,469,670	-
Real estate - mortgage:								
Owner-occupied commercial	3,030	370	-	3,400	3,388	2,236,648	2,243,436	3,222
1-4 family mortgage	5,998	558	-	6,556	2,044	1,130,045	1,138,645	177
Other mortgage	-	-	4,456	4,456	506	3,619,109	3,624,071	506
Total real estate - mortgage	9,028	928	4,456	14,412	5,938	6,985,802	7,006,152	3,905
Consumer	94	64	81	239	-	71,815	72,054	-
Total	$ 10,145	$ 2,145	$ 4,676	$ 16,966	$ 13,157	$ 11,599,679	$ 11,629,802	$ 4,919

December 31, 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	$ 1,075	$ 409	$ 195	$ 1,679	$ 7,108	$ 3,136,530	3,145,317	$ 3,238
Real estate - construction	-	711	-	711	-	1,531,677	1,532,388	-
Real estate - mortgage:								
Owner-occupied commercial	83	452	-	535	3,312	2,195,433	2,199,280	57
1-4 family mortgage	405	580	594	1,579	1,524	1,143,728	1,146,831	491
Other mortgage	231	-	4,512	4,743	506	3,592,501	3,597,750	-
Total real estate - mortgage	719	1,032	5,106	6,857	5,342	6,931,662	6,943,861	548
Consumer	174	128	90	392	-	66,010	66,402	621
Total	$ 1,968	$ 2,280	$ 5,391	$ 9,639	$ 12,450	$ 11,665,879	11,687,968	$ 4,407

Under the current expected credit losses ("CECL") methodology, the 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 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 March 31, 2023 and December 31, 2022, 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. The Company expects national unemployment to be generally unchanged and national GDP growth rate to improve compared to the December 31, 2022 forecast.

The Company uses a loss-rate method to estimate expected credit losses for its commercial revolving lines of credit and credit card pools. The commercial 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 also 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 and industrial loans include risks associated with borrower's cash flow, debt service coverage and management's expertise. These loans are subject to the risk that the Company may have difficulty converting collateral to a liquid asset if necessary, as well as risks associated with degree of specialization, mobility and general collectability in a default situation. These commercial loans may be subject to many different types of risks, including fraud, bankruptcy, economic downturn, deteriorated or non-existent collateral, and changes in interest rates.

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

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

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

The following table presents changes in the ACL, segregated by loan type, for the three months ended March 31, 2023 and March 31, 2022.

	Commercial, financial and agricultural	Real estate - construction	Real estate - mortgage	Consumer	Total
			(In Thousands)		
			Three Months Ended March 31, 2023		
Allowance for credit losses:					
Balance at January 1, 2023	$ 42,830	$ 42,889	$ 58,652	$ 1,926	$ 146,297
Charge-offs	(1,257)	-	(26)	(390)	(1,673)
Recoveries	128	3	1	11	143
Provision	1,193	(2,409)	4,530	883	4,197
Balance at March 31, 2023	$ 42,895	$ 40,483	$ 63,157	$ 2,430	$ 148,965
			Three Months Ended March 31, 2022		
Allowance for credit losses:					
Balance at January 1, 2022	$ 41,869	$ 26,994	$ 45,829	$ 1,968	$ 116,660
Charge-offs	(2,574)	-	(27)	(75)	(2,676)
Recoveries	105	-	12	-	117
Provision	2,017	827	2,734	(216)	5,362
Balance at March 31, 2022	$ 41,417	$ 27,821	$ 48,548	$ 1,677	$ 119,463

We maintain an ACL on unfunded commercial lending commitments and letters of credit to provide for the risk of loss inherent in these arrangements. The ACL is computed using a methodology similar to that used to determine the ACL for loans, modified to take into account the probability of a drawdown on the commitment. The ACL on unfunded loan commitments is classified as a liability account on the Consolidated Balance Sheets within other liabilities, while the corresponding provision for these credit losses is recorded as a component of other expense. The ACL on unfunded commitments was $575,000 at March 31, 2023 and $575,000 at December 31, 2022. The provision expense for unfunded commitments for the three months ended March 31, 2023 and 2022 was zero and $300,000, respectively.

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:

March 31, 2023	Real Estate	Accounts Receivable	Equipment	Other	Total	ACL Allocation
			(In Thousands)			
Commercial, financial and agricultural	$ 21,757	$ 7,468	$ 831	$ 24,524	$ 54,580	$ 10,558
Real estate - construction	872	-	-	1,184	2,056	5
Real estate - mortgage:						
Owner-occupied commercial	10,935	-	-	48	10,983	207
1-4 family mortgage	3,746	-	-	-	3,746	291
Other mortgage	11,258	-	-	-	11,258	76
Total real estate - mortgage	25,939	-	-	48	25,987	574
Consumer	-	-	-	-	-	-
Total	$ 48,568	$ 7,468	$ 831	$ 25,756	$ 82,623	$ 11,137

December 31, 2022	Real Estate	Accounts Receivable	Equipment	Other	Total	ACL Allocation
			(In Thousands)			
Commercial, financial and agricultural	$ 20,061	$ 12,092	$ 837	$ 24,998	$ 57,988	$ 9,910
Real estate - construction	-	-	-	1,198	1,198	7
Real estate - mortgage:						
Owner-occupied commercial	8,573	-	-	74	8,647	154
1-4 family mortgage	3,260	-	-	-	3,260	316
Other mortgage	12,311	-	-	-	12,311	-
Total real estate - mortgage	24,144	-	-	74	24,218	470
Consumer	-	-	-	-	-	-
Total	$ 44,205	$ 12,092	$ 837	$ 26,270	$ 83,404	$ 10,387

On March 22, 2020, an Interagency Statement was issued by banking regulators that encourages financial institutions to work prudently with borrowers who are or may be unable to meet their contractual payment obligations due to the effects of COVID-19. Additionally, Section 4013 of the CARES Act further provides that a qualified loan modification is exempt by law from classification as a Troubled Debt Restructuring ("TDR") as defined by GAAP, from the period beginning March 1, 2020 until the earlier of December 31, 2020 or the date that is 60 days after the date on which the national emergency concerning the COVID-19 outbreak declared by the President of the United States under the National Emergencies Act terminates. The Interagency Statement was subsequently revised in April 2020 to clarify the interaction of the original guidance with Section 4013 of the CARES Act, as well as setting forth the banking regulators' views on consumer protection considerations. On December 27, 2020, President Trump signed into law the Consolidated Appropriations Act 2021, which extended the period established by Section 4013 of the CARES Act to the earlier of January 1, 2022 or the date that is 60 days after the date on which the national COVID-19 emergency terminates. In accordance with such guidance, the Bank offered short-term modifications made in response to COVID-19 to borrowers who are current and otherwise not past due. These include short-term (180 days or less) modifications in the form of payment deferrals, fee waivers, extensions of repayment terms, or other delays in payment that are insignificant.

The Bank adopted Accounting Standards Update ("ASU") 2022-02, Financial Instruments - Credit Losses (Topic 326) Troubled Debt Restructurings and Vintage Disclosures ("ASU 2022-02") effective January 1, 2023. The amendments in ASU 2022-02 eliminated the recognition and measure of TDRs and enhanced disclosures for loan modifications to borrowers experiencing financial difficulty.

The table below details the amortized cost basis at the end of the reporting period for loans made to borrowers experiencing financial difficulty that were modified during the three months ended March 31, 2023:

	Term Extensions	Payment Deferral and Term Extensions	Total	Percentage of Total Loans
		(In Thousands)		
Commercial, financial and agricultural	$ 39,978	$ -	$ 39,978	0.34%
Real estate - construction	200	-	200	-%
Owner-occupied commercial	9,215	701	9,916	0.09%
1-4 family mortgage	214	-	214	-%
Other mortgage	11,254	359	11,613	0.10%
Total	$ 60,861	$ 1,060	$ 61,921	0.53%

The following table summarizes the financial impacts of loan modifications made to borrowers experiencing financial difficulty during the three months ended March 31, 2023:

	Term Extensions (In months)	Total Payment Deferral (In Thousands)
Commercial, financial and agricultural	3 to 12	$ -
Real estate - construction	6	-
Owner-occupied commercial	3 to 18	49
1-4 family mortgage	3	-
Other mortgage	3 to 36	59

No loans modified on or after January 1, 2023, the date the Company adopted ASU 2022-02, were past due greater than 30 days or on non-accrual as of March 31, 2023. As of March 31, 2023, we had commitments to lend $17.7 million in additional funds to borrowers experiencing financial difficulty that were modified during the first quarter of 2023.

As of March 31, 2023, the Company did not have any loans made to borrowers experiencing financial difficulty that were modified during the first quarter of 2023 that subsequently defaulted. For purposes of this disclosure, default is defined as 90 days past due and still accruing or placement on nonaccrual status.

TDRs at December 31, 2022 and March 31, 2022 totaled $2.5 million and $2.5 million, respectively. The portion of those TDRs accruing interest at December 31, 2022 and March 31, 2022 totaled $431,000 and $426,000, respectively. There were no modifications made to new TDRs or renewals of existing TDRs for the three months ended March 31, 2022

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 years. At March 31, 2023, the Company had lease right-of-use assets and lease liabilities totaling $19.8 million and $20.7 million, respectively, compared to $18.8 million and $19.6 million, respectively at December 31, 2022 which are reflected in other assets and other liabilities, respectively, in the Company's Consolidated Balance Sheets.

Maturities of operating lease liabilities are as follows:

	March 31, 2023 (In Thousands)
2023 (remaining)	$ 3,864
2024	3,768
2025	3,672
2026	3,066
2027	2,588
thereafter	6,079
Total lease payments	23,037
Less: imputed interest	(2,339)
Present value of operating lease liabilities	$ 20,698

As of March 31, 2023, the weighted average remaining term of operating leases was 6.3 years and the weighted average discount rate used in the measurement of operating lease liabilities was 2.95%.

Operating cash flows related to leases were $1.2 million and $1.0 million for the three months ended March 31, 2023 and 2022, respectively.

Lease costs during the three months ended March 31, 2023 and 2022 were as follows (in thousands):

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Operating lease cost	$ 1,230	$ 1,043
Variable lease cost	191	148
Sublease income	(8)	(24)
Net lease cost	$ 1,413	$ 1,167

NOTE 7 - EMPLOYEE AND DIRECTOR BENEFITS

Stock Incentive Plan

At March 31, 2023, the Company had a stock incentive plan as described below. The compensation cost that has been charged to earnings for the plan was approximately $808,000 and $790,000 for the three months ended March 31, 2023 and 2022, 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 the Company's trading price history. The expected term for options granted is based on the short-cut method and represents the period of time that options granted are expected to be outstanding. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

There were no grants of stock options during first quarters of 2023 and 2022.

The following table summarizes stock option activity during the three months ended March 31, 2023 and 2022:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (In Thousands)
Three Months Ended March 31, 2023:				
Outstanding January 1, 2023	280,000	$ 19.43	3.0	$ 14,088
Exercised	(75,000)	10.80	0.9	3,288
Outstanding March 31, 2023	205,000	$ 22.59	3.4	$ 7,428
Exercisable March 31, 2023	152,000	$ 17.28	2.2	$ 5,859
Three Months Ended March 31, 2022:				
Outstanding January 1, 2022	353,250	$ 19.28	3.8	$ 23,525
Exercised	(36,500)	18.65	3.1	2,677
Outstanding March 31, 2022	316,750	$ 19.35	3.7	$ 24,446
Exercisable March 31, 2022	255,000	$ 14.79	2.8	$ 20,056

As of March 31, 2023, there was $159,000 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 1.0 year.

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 March 31, 2023, there was $5.3 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 2.2 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 beginning on January 1st of the year of the grant. The fair value of performance shares is determined using a Monte Carlo simulation model on the grant date. As of March 31, 2023, there was $1.2 million of total unrecognized compensation cost related to non-vested performance shares. As of March 31, 2023, non-vested performance shares had a weighted average remaining time to vest of 1.8 years.

	Restricted Stock		Performance Shares	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Three Months Ended March 31, 2023:				
Non-vested at January 1, 2023	141,580	$ 56.39	23,852	$ 54.16
Granted	27,258	69.83	8,091	70.29
Vested	(17,521)	48.32	-	-
Forfeited	(6,545)	69.90	-	-
Non-vested at March 31, 2023	144,772	$ 59.29	31,943	$ 58.25
Three Months Ended March 31, 2022:				
Non-vested at January 1, 2022	127,602	$ 42.27	12,437	$ 37.05
Granted	27,851	84.67	6,557	74.52
Vested	(9,612)	42.23	-	-
Forfeited	(877)	40.72	-	-
Non-vested at March 31, 2022	144,964	$ 50.43	18,994	$ 49.99

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 but rather as a stand-alone derivative. 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 March 31, 2023 the interest rate cap had a fair value of $1.2 million and remaining term of one month.

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. The interest rate lock commitments related to loans that are originated for later sale are classified as derivatives. The fair values of the Company's agreements with investors and rate lock commitments to customers as of March 31, 2023 and December 31, 2022 were not material.

NOTE 9 – RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

In March 2022, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2022-02, *Financial Instruments—Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures.* The amendments eliminate the accounting guidance for TDR recognition in Subtopic 310-40, *Receivables – Trouble Debt Restructurings by Creditors* by entities that have adopted ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.* For public business entities, the amendments 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. Gross write-off information must be included in the vintage disclosures required for public business entities in accordance with paragraph 326-20-50-6, which requires that an entity disclose the amortized cost basis of financing receivables by credit quality indicator and class of financing receivable by year of origination. The Company adopted ASU 2022-02 effective January 1, 2023 on a prospective basis. Adoption of ASU 2022-02 did not have a material impact on the Company's consolidated financial statements.

NOTE 10 – RECENT ACCOUNTING PRONOUNCEMENTS

In March 2023, the FASB issued ASU 2023-02, *Investments-Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method.* These amendments allow entities to elect to account for qualifying tax equity investments using the proportional amortization method, regardless of the program giving rise to the related income tax credits. The ASU responds to stakeholder feedback that the proportional amortization method provides investors and other allocators of capital with a better understanding of the returns from investments that are made primarily for the purpose of receiving income tax credits and other income tax benefits. ASU 2023-02 is effective for public entities for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted for all entities in any interim period. The Company is assessing its tax credit investments for whether they qualify for proportional amortization treatment and plans to adopt the amendments soon after. The Company does not currently believe the amendments will have a material impact on its consolidated financial statements.

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 service regarding their methods of price discovery. Securities measured with these techniques are classified within Level 2 of the hierarchy and often involve using quoted market prices for similar securities, pricing models or discounted cash flow calculations using inputs observable in the market where available. Examples include U.S. government agency securities, mortgage-backed securities, obligations of states and political subdivisions, and certain corporate, asset-backed and other securities. In cases where Level 1 or Level 2 inputs are not available, as in the case of certain corporate securities, these securities are classified in Level 3 of the hierarchy.

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 the loan's existing rate in a discounted cash flow calculation, or the fair value of the collateral if the loan is collateral-dependent. Expected cash flows are based on internal inputs reflecting expected default rates on contractual cash flows. This method of estimating fair value does not incorporate the exit-price concept of fair value described in ASC 820-10 and would generally result in a higher value than the exit-price approach. For loans measured using the estimated fair value of collateral less costs to sell, fair value is generally determined based on appraisals performed by certified and licensed appraisers using inputs such as absorption rates, capitalization rates and market comparables, adjusted for estimated costs to sell. Management modifies the appraised values, if needed, to take into account recent developments in the market or other factors, such as changes in absorption rates or market conditions from the time of valuation, and anticipated sales values considering management's plans for disposition. Such modifications to the appraised values could result in lower valuations of such collateral. Estimated costs to sell are based on current amounts of disposal costs for similar assets. These measurements are classified as Level 3 within the valuation hierarchy. Loans individually evaluated are subject to nonrecurring fair value adjustment upon initial recognition or subsequent individually evaluation. A portion of the ACL 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 March 31, 2023 was 0% to 90% and 14.9%, respectively. The range of fair value adjustments and weighted average adjustment as of December 31, 2022 was 0% to 82% and 19.5% 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 $-.- million during the three months ended March 31, 2023, and $3.0 million during the three months ended March 31, 2022.

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 ACL 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 March 31, 2023 was 0% to 100% and 53.3%, respectively. The range of fair value adjustments and weighted average adjustment as of December 31, 2022 was 0% to 100% and 53.3%, respectively. These measurements are classified as Level 3 within the valuation hierarchy. There were no losses on the sale and write-downs of OREO during the three months ended March 31, 2023, compared to $6,000 during the three months ended March 31, 2022. These charges were for write-downs in the value of OREO subsequent to foreclosure and losses on the disposal of OREO. OREO is classified within Level 3 of the hierarchy.

There were two residential real estate loans with an aggregate balance of $248,000 foreclosed and classified as OREO as of March 31, 2023 and December 31, 2022.

Two residential real estate loans for $190,000 were in the process of foreclosure as of March 31, 2023. There were no residential real estate loan that was in the process of being foreclosed as of December 31, 2022.

The following table presents the Company's financial assets carried at fair value on a recurring basis as of March 31, 2023 and December 31, 2022. There were no liabilities measured at fair value on a recurring basis as of March 31, 2023 and December 31, 2022.

	Fair Value Measurements at March 31, 2023 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	$ 2,990	$ -	$ -	$ 2,990
Government agency securities	-	4	-	4
Mortgage-backed securities	-	243,031	-	243,031
State and municipal securities	-	13,311	-	13,311
Corporate debt	-	358,752	6,860	365,612
Total available-for-sale debt securities	2,990	615,098	6,860	624,948
Interest rate cap derivative	-	1,181	-	1,181
Total assets at fair value	$ 2,990	$ 616,279	$ 6,860	$ 626,129

	Fair Value Measurements at December 31, 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	$ 2,969	$ -	$ -	$ 2,969
Government agency securities	-	9	-	9
Mortgage-backed securities	-	249,703	-	249,703
State and municipal securities	-	13,609	-	13,609
Corporate debt	-	367,665	10,860	378,525
Total available-for-sale debt securities	2,969	630,986	10,860	644,815
Interest rate cap derivative	-	4,201	-	4,201
Total assets at fair value	$ 2,969	$ 635,187	$ 10,860	$ 649,016

The following table presents the Company's financial assets carried at fair value on a nonrecurring basis as of March 31, 2023 and December 31, 2022. There were no liabilities measured at fair value on a nonrecurring basis as of March 31, 2023 and December 31, 2022.

	Fair Value Measurements at March 31, 2023 Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets Measured on a Nonrecurring Basis:		(In Thousands)		
Loans individually evaluated	$ -	$ -	$ 71,486	$ 71,486
Other real estate owned and repossessed assets	-	-	248	248
Total assets at fair value	$ -	$ -	$ 71,734	$ 71,734

	Fair Value Measurements at December 31, 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 Nonrecurring Basis:		(In Thousands)		
Loans individually evaluated	$ -	$ -	$ 73,017	$ 73,017
Other real estate owned	-	-	248	248
Total assets at fair value	$ -	$ -	$ 73,265	$ 73,265

There were no liabilities measured at fair value on a non-recurring basis as of March 31, 2023 and December 31, 2022.

In the case of the debt securities portfolio, the Company monitors the portfolio to ascertain when transfers between levels have been affected. For the three months ended March 31, 2023, there was one transfer out of level 3 into level 2.

The table below includes a rollforward of the balance sheet amounts for the period ended March 31, 2023 and March 31, 2022 (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 period ended March 31,	
	2023	2022
	Available-for-sale Securities	Available-for-sale Securities
	(In Thousands)	
Fair value, beginning of period	$ 10,860	$ 16,992
Transfers into Level 3	-	-
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	160	(343)
Purchases	-	-
Transfers out of Level 3	(4,160)	(5,149)
Fair value, end of period	$ 6,860	$ 11,500

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 March 31, 2023 and December 31, 2022 were as follows:

	March 31, 2023		December 31, 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In Thousands)			
Financial Assets:				
Level 1 Inputs:				
Cash and cash equivalents	$ 864,493	$ 864,493	$ 814,538	$ 814,538
Held to maturity U.S. Treasury securities	507,601	477,580	507,601	470,954
Level 2 Inputs:				
Federal funds sold	6,478	6,478	1,515	1,515
Held to maturity debt securites	506,342	453,162	526,720	464,749
Mortgage loans held for sale	1,651	1,642	1,607	1,604
Restricted equity securities	7,307	7,307	7,734	7,734
Level 3 Inputs:				
Held to maturity debt securites	250	250	250	250
Loans, net	11,480,837	11,145,529	11,541,671	11,265,517
Financial Liabilities:				
Level 2 Inputs:				
Deposits	$ 11,615,317	$ 11,602,610	$ 11,546,805	$ 11,529,647
Federal funds purchased	1,480,160	1,480,160	1,618,798	1,618,798
Other borrowings	65,417	57,340	64,726	57,101

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

The following discussion and analysis is designed to provide a better understanding of various factors relating to the results of operations and financial condition of ServisFirst Bancshares, Inc. (the "Company") and its wholly owned subsidiary, ServisFirst Bank (the "Bank"). This discussion is intended to supplement and highlight information contained in the accompanying unaudited consolidated balance sheets as of March 31, 2023 and December 31, 2022 and consolidated statements of income for the three months ended March 31, 2023 and March 31, 2022.

Forward-Looking Statements

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

Business

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

Our principal business is to accept deposits from the public and to make loans and other investments. Our principal sources of funds for loans and investments are demand, time, savings, and other deposits. 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.

First quarter highlights

- Diluted earnings per common share of $1.06 for the first quarter of 2023.
- Return on assets increased from 1.53% to 1.63% year-over-year.
- Book value per share grew from $21.61 to $24.63, or 14%, year-over-year.
- Deposit balances grew $69 million during the first quarter of 2023 while the deposit pipeline increased by $244 million, or 51%.
- Bank level Tier 1 capital to average assets increased from 8.08% to 9.91% year-over-year.

Overview

As of March 31, 2023, we had consolidated total assets of $14.57 billion, down $29.2 million, or 0.2%, from total assets of $14.60 billion at December 31, 2022. Total loans were $11.63 billion at March 31, 2023, down $58.2 million, or 0.5%, from $11.69 billion at December 31, 2022. Total deposits were $11.62 billion at March 31, 2023, up $68.5 million, or 0.6%, from $11.55 billion at December 31, 2022.

Net income available to common stockholders for the three months ended March 31, 2023 was $58.0 million, up $358,000, or 0.6%, from $57.6 million for the three months ended March 31, 2022. Basic and diluted earnings per common share were $1.07 and $1.06, respectively, for the three months ended March 31, 2023, compared to $1.06 for both in the corresponding period in 2022. Changes in income and expenses are more fully explained in "Results of Operations" below.

Performance Ratios

The following table presents selected ratios of our results of operations for the three months ended March 31, 2023, and 2022.

	Three Months Ended March 31,	
	2023	2022
Return on average assets	1.63%	1.53%
Return on average stockholders' equity	17.83%	20.09%
Dividend payout ratio	26.34%	21.77%
Net interest margin (1)	3.15%	2.89%
Efficiency ratio (2)	34.60%	32.74%
Average stockholders' equity to average total assets	9.16%	7.61%

(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 March 31, 2023, we had $6.5 million in federal funds sold, compared to $1.5 million at December 31, 2022. We also maintain balances at the Federal Reserve Bank of Atlanta, which earn interest. At March 31, 2023, we had $713.6 million in balances at the Federal Reserve, compared to $693.8 million at December 31, 2022.

Investment Securities

Debt securities available for sale totaled $624.9 million at March 31, 2023 and $644.8 million at December 31, 2022. Investment securities held to maturity totaled $1.02 billion at March 31, 2023 and $1.03 billion at December 31, 2022. We had paydowns of $22.3 million on mortgage-backed securities, maturities of $3.6 million on U.S. government agencies, mortgage-backed securities, municipal bonds, corporate securities, and Treasury securities, and calls of $5.0 million on corporate securities during the three months ended March 31, 2023. We recognized a $3.3 million loss on the sale of $45.4 million in available for sale debt securities during the first quarter of 2022. We purchased $190.6 million in mortgage-backed securities, $52.5 million in corporate securities, and $197.1 million in US Treasury securities during the first three months of 2022. For a tabular presentation of debt securities available for sale and held to maturity at March 31, 2023 and December 31, 2022, 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 seek to balance the market and credit risks against the potential investment return, make investments compatible with the pledge requirements of any deposits of public funds, maintain compliance with regulatory investment requirements, and assist certain public entities with their financial needs. The investment committee has full authority over the investment portfolio and makes decisions on purchases and sales of securities. The entire portfolio, along with all investment transactions occurring since the previous board of directors meeting, is reviewed by the board at each monthly meeting. The investment policy allows portfolio holdings to include short-term securities purchased to provide us with needed liquidity and longer-term securities purchased to generate level income for us over periods of interest rate fluctuations.

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

The Company does not invest in collateralized debt obligations ("CDOs"). As of March 31, 2023, we had $398.7 million 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. The total investment portfolio has a combined average credit rating of AA as of March 31, 2023.

The carrying value of investment securities pledged to secure public funds on deposit and for other purposes as required by law was $834.9 million and $789.3 million as of March 31, 2023 and December 31, 2022, respectively.

Loans

We had total loans of $11.63 billion at March 31, 2023, down $58.2 million, or 0.5%, compared to $11.69 billion at December 31, 2022.

Asset Quality

The Company assesses the adequacy of its 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. We believe the ACL is 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" 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, modified loans, and for periods prior to the adoption of ASU 2022-02 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 March 31, 2023	2022
	(Dollars in thousands)	
Total loans outstanding, net of unearned income	$ 11,629,802	$ 9,898,957
Average loans outstanding, net of unearned income	$ 11,651,417	$ 9,646,679
Allowance for credit losses at beginning of period	146,297	116,660
Charge-offs:		
Commercial, financial and agricultural loans	1,257	2,574
Real estate - construction	-	-
Real estate - mortgage	26	27
Consumer loans	390	75
Total charge-offs	1,673	2,676
Recoveries:		
Commercial, financial and agricultural loans	128	105
Real estate - construction	3	-
Real estate - mortgage	1	-
Consumer loans	11	12
Total recoveries	143	117
Net charge-offs	1,530	2,559
Provision for credit losses	4,197	5,362
Allowance for credit losses at period end	$ 148,965	$ 119,463
Allowance for credit losses to period end loans	1.28%	1.21%
Net charge-offs to average loans	0.05%	0.11%

March 31, 2023	Amount	Percentage of loans in each category to total loans
	(In Thousands)	
Commercial, financial and agricultural	$ 42,895	26.50%
Real estate - construction	40,483	12.64%
Real estate - mortgage	63,157	60.24%
Consumer	2,430	0.62%
Total	$ 148,965	100.00%

December 31, 2022	Amount	Percentage of loans in each category to total loans
	(In Thousands)	
Commercial, financial and agricultural	$ 42,830	26.91%
Real estate - construction	42,889	13.11%
Real estate - mortgage	58,652	59.42%
Consumer	1,926	0.57%
Total	$ 146,297	100.01%

Nonperforming Assets

Total nonperforming loans, which include nonaccrual loans and loans 90 or more days past due and still accruing, remained flat at $17.8 million at March 31, 2023 and December 31, 2022, respectively. Of this total, nonaccrual loans of $13.2 million at March 31, 2023 represented a net increase of $707,000 from nonaccrual loans at December 31, 2022. Excluding credit card accounts, there were six loans 90 or more days past due and still accruing totaling $5.1 million at March 31, 2023, compared to one loans totaling $4.6 million at December 31, 2022. Loans made to borrowers experiencing financial difficulty that were modified during the three months ended March 31, 2023 were $61.9 million. TDRs at December 31, 2022, and March 31, 2022 were $2.5 million and $2.1 million, respectively.

OREO and repossessed assets decreased to $248,000 at March 31, 2023, from $2.0 million at December 31, 2022. The following table summarizes OREO and repossessed asset activity for the three months ended March 31, 2023 and 2022:

	Three months ended March 31, 2023	Three months ended March 31, 2022
	(In thousands)	
Balance at beginning of period	$ 248	$ 1,208
Transfers from loans and capitalized expenses	-	830
Proceeds from sales	-	(44)
Write-downs / net gain (loss) on sales	-	(5)
Balance at end of period	$ 248	$ 1,989

The following table summarizes our nonperforming assets at March 31, 2023 and December 31, 2022:

	March 31, 2023 Balance	March 31, 2023 Number of Loans	December 31, 2022 Balance	December 31, 2022 Number of Loans
	(Dollar Amounts In Thousands)			
Nonaccrual loans:				
Commercial, financial and agricultural	$ 7,219	22	$ 7,108	18
Real estate - construction	-	-	-	-
Real estate - mortgage:				
Owner-occupied commercial	3,388	3	3,312	3
1-4 family mortgage	2,044	20	1,524	16
Other mortgage	506	2	506	2
Total real estate - mortgage	5,938	25	5,342	21
Consumer	-	-	-	-
Total Nonaccrual loans:	$ 13,157	47	$ 12,450	39
90+ days past due and accruing:				
Commercial, financial and agricultural	$ 146	22	$ 195	26
Real estate - construction	-	-	-	-
Real estate - mortgage:				
Owner-occupied commercial	-	-	-	-
1-4 family mortgage	-	5	594	5
Other mortgage	4,456	1	4,512	1
Total real estate - mortgage	4,456	6	5,106	6
Consumer	81	31	90	44
Total 90+ days past due and accruing:	$ 4,683	59	$ 5,391	76
Total Nonperforming Loans:	$ 17,840	106	$ 17,841	115
Plus: Other real estate owned and repossessions	248	2	248	2
Total Nonperforming Assets	$ 18,089	108	$ 18,089	117
Restructured accruing loans:				
Commercial, financial and agricultural	$ -	-	$ 2,480	5
Real estate - construction	-	-	-	-
Real estate - mortgage:				
Owner-occupied commercial	-	-	-	-
1-4 family mortgage	-	-	-	-
Other mortgage	-	-	-	-
Total real estate - mortgage	-	-	-	-
Consumer	-	-	-	-
Total restructured accruing loans:	$ -	-	$ 2,480	5
Total Nonperforming assets and restructured accruing loans	$ 18,089	108	$ 20,569	122
Ratios:				
Nonperforming loans to total loans	0.15%		0.15%	
Nonperforming assets to total loans plus other real estate owned and repossessions	0.16%		0.15%	
Nonperforming assets plus restructured accruing loans to total loans plus other real estate owned and repossessions	0.16%		0.18%	

The balance of nonperforming assets can fluctuate due to changes in economic conditions. We have established a policy to discontinue accruing interest on a loan (i.e., place the loan on nonaccrual status) after it has become 90 days delinquent as to payment of principal or interest, unless the loan is considered to be well-collateralized and is actively in the process of collection. In addition, a loan will be placed on nonaccrual status before it becomes 90 days delinquent unless management believes that the collection of interest is expected. Interest previously accrued but uncollected on such loans is reversed and charged against current income when the receivable is determined to be uncollectible. Interest income on nonaccrual loans is recognized only as received. If we believe that a loan will not be collected in full, we will increase the ACL 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 this guidance from regulators, the bank offered short-term modifications made in response to COVID-19 to borrowers who were current and otherwise not past due. 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 March 31, 2023, we carried $2.4 million of accrued interest income on deferrals made to COVID-19 affected borrowers compared to $2.4 million at December 31, 2022.

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. Despite a decrease in non-interest bearing deposits, our total deposits increased by $68.5 million to $11.62 billion at March 31, 2023 compared to $11.55 billion at December 31, 2022. We anticipate long-term sustainable growth in deposits through continued development of market share in our less mature markets and through organic growth in our mature markets.

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

The following table summarizes balances of our deposits and the percentage of each type to the total at March 31, 2023 and December 31, 2022.

	March 31, 2023		December 31, 2022	
Non-interest-bearing demand	$ 2,898,736	24.96%	$ 3,321,347	28.76%
Interest-bearing demand	1,762,583	15.17%	1,861,496	16.12%
Money market	5,998,057	51.64%	5,362,705	46.44%
Savings	131,016	1.13%	138,450	1.20%
Time deposits, $250,000 and under	261,118	2.25%	239,772	2.08%
Time deposits, over $250,000	563,807	4.85%	573,035	4.96%
Brokered time deposits	-	-%	50,000	0.43%
	$ 11,615,317	100.00%	$ 11,546,805	100.00%

At March 31, 2023 and December 31, 2022, we estimate that we had approximately $6.9 billion and $7.0 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 insurance limit as of March 31, 2023.

Time deposits otherwise uninsured with a maturity of:		Portion of time deposits in excess of insurance limit March 31, 2023 (In Thousands)
3 months or less	$	75,443
Over 3 months through 6 months		57,907
Over 6 months through 12 months		83,621
Over 12 months		110,666
Total	$	327,637

The uninsured deposit data for 2023 and 2022 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.

Borrowings

Our borrowings consist of federal funds purchased and subordinated notes payable. We had $1.48 billion and $1.64 billion at March 31, 2023 and December 31, 2022, respectively, in federal funds purchased from correspondent banks that are clients of our correspondent banking unit. The average rate paid on these borrowings was 4.67% for the quarter ended March 31, 2023. Other borrowings consist of the following:

- $30.0 million on the Company's 4.5% Subordinated Notes due November 8, 2027, which were issued in a private placement in November 2017 and pay interest semi-annually. The Notes may be prepaid by the Company; and

- $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.

Liquidity

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

The retention of existing deposits and attraction of new deposit sources through new and existing customers is critical to our liquidity position. If our liquidity was to decline due to a run-off in deposits, we have procedures that provide for certain actions under varying liquidity conditions. These actions include borrowing from existing correspondent banks, selling or participating loans, and curtailing loan commitments and funding. At March 31, 2023, liquid assets, which are represented by cash and due from banks, federal funds sold and unpledged available-for-sale securities, totaled $2.0 billion. The Bank had loans pledged the FHLB which provided approximately $1.4 billion in available funding. The Bank has additional unpledged CRE loans that would provide an approximate additional $1.7 billion in available funding through the FHLB for a total of $3.1 billion in available funding from the FHLB. The Bank's policy limits on brokered deposits would allow for up to $3.6 billion in available funding for brokered deposits. Additionally, the Bank had borrowing availability of approximately $698.0 million in unused federal funds lines of credit with regional banks, subject to certain restrictions and collateral requirements.

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

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 $14.4 billion and $15.3 billion for the quarters ended March 31, 2023 and 2022, respectively.

	For the Three Months Ended March 31,	
	2023	2022
Sources of Funds:		
Deposits:		
Non-interest-bearing	21.4%	31.9%
Interest-bearing	58.3	49.1
Federal funds purchased	9.6	10.6
Long term debt and other borrowings	0.8	0.4
Other liabilities	0.5	0.4
Equity capital	9.4	7.6
Total sources	100.0%	100.0%
Uses of Funds:		
Loans	81.0%	63.1%
Securities	12.0	10.0
Interest-bearing balances with banks	3.5	23.8
Federal funds sold	0.4	0.1
Other assets	3.1	3.0
Total uses	100.0%	100.0%

Capital Adequacy

Total stockholders' equity attributable to us at March 31, 2023 was $1.34 billion, or 9.19% of total assets. At December 31, 2022, total stockholders' equity attributable to us was $1.30 billion, or 8.89% of total assets.

As of March 31, 2023, our most recent notification from the FDIC categorized us as well-capitalized under the regulatory framework for prompt corrective action. To remain categorized as well-capitalized, we must maintain minimum common equity Tier 1, Tier 1 risk-based, total risk-based, and Tier 1 leverage ratios as disclosed in the table below. Our management believes that we are well-capitalized under the prompt corrective action provisions as of March 31, 2023.

The final rules implementing the Basel Committee on Banking Supervision's capital guidelines for U.S. banks (Basel III rules) became effective January 1, 2015, subject to a phase-in period for certain aspects of the new rules. In order to avoid restrictions on capital distributions and discretionary bonus payments to executives, under the new rules a covered banking organization is also required to maintain a "capital conservation buffer" in addition to its minimum risk-based capital requirements. This buffer is required to consist solely of common equity Tier 1, and the buffer applies to all three risk-based measurements (CET1, Tier 1 capital and total capital). The capital conservation buffer became fully effective on January 1, 2019. As of January 1, 2019, an additional amount of Tier 1 common equity equal to 2.5% of risk-weighted assets is required for compliance with the capital conservation buffer. The ratios for the Company and the Bank are currently sufficient to satisfy the fully phased-in conservation buffer.

The following table sets forth (i) the capital ratios required by the FDIC and the Alabama Banking Department's leverage ratio requirement and (ii) our actual ratios of capital to total regulatory or risk-weighted assets, as of March 31, 2023, December 31, 2022 and March 31, 2022:

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of March 31, 2023:						
CET 1 Capital to Risk Weighted Assets:						
Consolidated	$ 1,368,751	10.01%	$ 615,176	4.50%	N/A	N/A
ServisFirst Bank	1,428,371	10.45%	615,120	4.50%	$ 888,506	6.50%
Tier 1 Capital to Risk Weighted Assets:						
Consolidated	1,369,251	10.02%	820,235	6.00%	N/A	N/A
ServisFirst Bank	1,428,871	10.45%	820,160	6.00%	1,093,546	8.00%
Total Capital to Risk Weighted Assets:						
Consolidated	1,578,208	11.54%	1,093,647	8.00%	N/A	N/A
ServisFirst Bank	1,578,411	11.55%	1,093,546	8.00%	1,366,933	10.00%
Tier 1 Capital to Average Assets:						
Consolidated	1,369,251	9.49%	576,964	4.00%	N/A	N/A
ServisFirst Bank	1,428,871	9.91%	576,969	4.00%	721,211	5.00%
As of December 31, 2022:						
CET 1 Capital to Risk Weighted Assets:						
Consolidated	$ 1,326,035	9.55%	$ 624,986	4.50%	N/A	N/A
ServisFirst Bank	1,385,697	9.98%	624,942	4.50%	$ 902,694	6.50%
Tier 1 Capital to Risk Weighted Assets:						
Consolidated	1,326,535	9.55%	833,315	6.00%	N/A	N/A
ServisFirst Bank	1,386,197	9.98%	833,256	6.00%	1,111,008	8.00%
Total Capital to Risk Weighted Assets:						
Consolidated	1,532,134	11.03%	1,111,086	8.00%	N/A	N/A
ServisFirst Bank	1,533,069	11.04%	1,111,008	8.00%	1,388,760	10.00%
Tier 1 Capital to Average Assets:						
Consolidated	1,326,535	9.29%	570,960	4.00%	N/A	N/A
ServisFirst Bank	1,386,197	9.71%	570,924	4.00%	713,656	5.00%
As of March 31, 2022:						
CET 1 Capital to Risk Weighted Assets:						
Consolidated	$ 1,169,735	9.86%	$ 533,769	4.50%	N/A	N/A
ServisFirst Bank	1,232,198	10.39%	533,698	4.50%	$ 770,897	6.50%
Tier 1 Capital to Risk Weighted Assets:						
Consolidated	1,170,235	9.87%	711,691	6.00%	N/A	N/A
ServisFirst Bank	1,232,698	10.39%	711,598	6.00%	948,797	8.00%
Total Capital to Risk Weighted Assets:						
Consolidated	1,356,009	11.43%	948,922	8.00%	N/A	N/A
ServisFirst Bank	1,353,761	11.41%	948,797	8.00%	1,185,996	10.00%
Tier 1 Capital to Average Assets:						
Consolidated	1,170,235	7.67%	610,638	4.00%	N/A	N/A
ServisFirst Bank	1,232,698	8.08%	610,538	4.00%	763,172	5.00%

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

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

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

Off-Balance Sheet Arrangements

In the normal course of business, we are a party to financial credit arrangements with off-balance sheet risk to meet the financing needs of our customers. These financial credit arrangements include commitments to extend credit beyond current fundings, credit card arrangements, standby letters of credit and financial guarantees. Those credit arrangements involve, to varying degrees, elements of credit risk in excess of the amount recognized in the balance sheet. The contract or notional amounts of those instruments reflect the extent of involvement we have in those particular financial credit 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 the financial instrument for commitments to extend credit, credit card arrangements and standby letters of credit is represented by the contractual or notional amount of those instruments. We use the same credit policies in making commitments and conditional obligations as we do for on-balance sheet instruments.

As 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 March 31, 2023 are as follows:

	March 31, 2023 (In Thousands)
Commitments to extend credit	$ 3,958,312
Credit card arrangements	362,347
Standby letters of credit	60,666
	$ 4,381,325

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 March 31, 2023 was $58.0 million compared to $57.6 million for the three months ended March 31, 2022. The increase in net income was primarily attributable to a $2.6 million increase in net interest income during the three months ended March 31, 2023 to $108.3 million, compared to $105.7 million during the same period in 2022. The increase in net interest income is primarily attributable to growth in average loans, which increased by $2.00 billion. Total non-interest income decreased by $1.6 million to $6.3 million during the three months ended March 31, 2023 compared to $7.9 million during the same period in 2022. Total non-interest expenses increased by $2.4 million to $39.7 million during the three months ended March 31, 2023 compared to $37.2 million during the same period in 2022.

Basic and diluted net income per common share were $1.07 and $1.06, respectively, for the three months ended March 31, 2023, compared to $1.06 for both for the corresponding period in 2022. Return on average assets for the three months ended March 31, 2023 was 1.63% compared to 1.53% for the corresponding period in 2022, and return on average common stockholders' equity for the three months ended March 31, 2023 was 17.83% compared to 20.09% for the corresponding period in 2022.

Net Interest Income

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

Taxable-equivalent net interest income increased $2.5 million, or 2.4%, to $108.4 million for the three months ended March 31, 2023 compared to $105.8 million for the corresponding period in 2022. This increase was primarily attributable to a $2.00 billion increase in average loans, or 20.8%, year-over-year. Average interest-bearing balances with banks decreased by $3.13 billion. The taxable-equivalent yield on interest-earning assets increased from 3.10% to 5.27% year-over-year, primarily a result of the Federal Reserve increasing market interest rates during 2022. The yield on loans for the three months ended March 31, 2023 was 5.70% compared to 4.34% for the corresponding period in 2022. The cost of total interest-bearing liabilities increased to 2.98% for the three months ended March 31, 2023 from 0.33% for the corresponding period in 2022. Net interest margin for the three months ended March 31, 2023 increased 26 basis points to 3.15% from 2.89% for the corresponding period in 2022.

Beginning in March of 2022, the Federal Reserve Bank increased their targeted federal funds rate from 0 – 0.25% to its current range of 4.75 – 5.00%. Our cost of funding has increased as a result of deposit pricing pressures resulting from these rate increases. We believe our net interest income will benefit over a short period of time following the Federal Reserve Bank's ceasing these rate increases.

The following table shows, for the three months ended March 31, 2023 and March 31, 2022, the average balances of each principal category of our assets, liabilities and stockholders' equity, and an analysis of net interest revenue. The accompanying table reflects changes in our net interest margin as a result of changes in the volume and rate of our interest-earning assets and interest-bearing liabilities for the same periods. Changes as a result of mix or the number of days in the periods have been allocated to the volume and rate changes in proportion to the relationship of the absolute dollar amounts of the change in each. Both tables are presented on a taxable-equivalent basis where applicable:

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

	2023			2022		
	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	$ 11,632,439	$ 163,576	5.70%	$ 9,621,484	$ 102,891	4.34%
Tax-exempt (3)	18,978	157	3.36	25,195	254	4.09
Total loans, net of unearned income	11,651,417	163,733	5.70	9,646,679	103,145	4.34
Mortgage loans held for sale	1,522	24	6.40	927	4	1.75
Investment securities:						
Taxable	1,724,523	10,939	2.54	1,518,572	8,222	2.17
Tax-exempt (3)	3,781	23	2.43	8,812	51	2.32
Total debt securities (4)	1,728,304	10,962	2.54	1,527,384	8,273	2.17
Federal funds sold	50,526	614	4.93	16,639	13	0.32
Restricted equity securities	9,919	188	7.69	7,371	68	4
Interest-bearing balances with banks	510,021	5,873	4.67	3,637,882	1,804	0.20
Total interest-earning assets	$ 13,951,709	$ 181,394	5.27%	$ 14,836,882	$ 113,307	3.10%
Non-interest-earning assets:						
Cash and due from banks	106,448			74,534		
Net premises and equipment	60,617			61,209		
Allowance for credit losses, accrued interest and other assets	279,775			313,560		
Total assets	$ 14,398,549			$ 15,286,185		
Liabilities and stockholders' equity:						
Interest-bearing liabilities:						
Interest-bearing demand deposits	$ 1,675,355	$ 5,151	1.25%	$ 1,594,645	$ 778	0.20%
Savings deposits	134,671	312	0.94	135,545	59	0.18
Money market accounts	5,756,642	44,978	3.17	4,985,224	3,204	0.26
Time deposits	850,639	5,272	2.51	792,930	1,803	0.92
Total interest-bearing deposits	8,417,307	55,713	2.68	7,508,344	5,844	0.32
Federal funds purchased	1,389,217	16,003	4.67	1,620,012	932	0.23
Other borrowings	114,726	1,305	4.61	64,708	690	4.32
Total interest-bearing liabilities	$ 9,921,250	$ 73,021	2.98%	$ 9,193,064	$ 7,466	0.33%
Non-interest-bearing liabilities:						
Non-interest-bearing demand deposits	3,086,774			4,870,701		
Other liabilities	72,121			59,619		
Stockholders' equity	1,358,587			1,156,186		
Accumulated other comprehensive (loss) income	(40,183)			6,615		
Total liabilities and stockholders' equity	$ 14,398,549			$ 15,286,185		

Net interest income	$ 108,373		$ 105,841	
Net interest spread		2.29%		2.77%
Net interest margin		3.15%		2.89%

(1) Non-accrual loans are included in average loan balances in all periods. Loan fees of $3,630 and $7,686 are included in interest income in the first quarter of 2023 and 2022, respectively. Loan fees include accretion of PPP loan fees.

(2) Amortization of acquired loan premiums of $49 and $21 is included in interest income in 2023 and 2022, respectively.

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

	For the Three Months Ended March 31, 2023 Compared to 2022 Increase (Decrease) in Interest Income and Expense Due to Changes in:		
	Volume	Rate	Total
		(In Thousands)	
Interest-earning assets:			
Loans, net of unearned income			
Taxable	$ 24,207	$ 36,478	$ 60,685
Tax-exempt	(56)	(41)	(97)
Total loans, net of unearned income	24,151	36,437	60,588
Mortgages held for sale	4	16	20
Debt securities:			
Taxable	1,199	1,518	2,717
Tax-exempt	(31)	3	(28)
Total debt securities	1,168	1,521	2,689
Federal funds sold	73	528	601
Restricted equity securities	48	140	120
Interest-bearing balances with banks	(2,835)	6,904	4,069
Total interest-earning assets	22,609	45,546	68,087
Interest-bearing liabilities:			
Interest-bearing demand deposits	41	4,332	4,373
Savings	-	252	252
Money market accounts	572	41,202	41,774
Time deposits	140	3,329	3,469
Total interest-bearing deposits	753	49,115	49,868
Federal funds purchased	(152)	15,223	15,071
Other borrowed funds	566	49	615
Total interest-bearing liabilities	1,167	64,387	65,554
Increase in net interest income	$ 21,442	$ (18,841)	$ 2,533

Our growth in loans continues to drive favorable volume component change and overall change. The rate component was unfavorable as average rates paid on interest-bearing liabilities increased 265 basis points while loan yields increased only 136 basis points. An increase in average equity contributed to a favorable volume component, but was partially offset by a decrease in average non-interest-bearing deposits.

Provision for Credit Losses

The provision for credit losses was $4.2 million for the three months ended March 31, 2023, a decrease of $1.2 million from $5.4 million for the three months ended March 31, 2022. The decrease in provision expense is primarily the result of improvement in the economic projections used to inform loss driver forecasts within the ACL model. The ACL for March 31, 2023, December 31, 2022 and March 31, 2022 totaled $149.0 million, $146.0 million, and $119.0 million, or 1.28%, 1.25%, and 1.21% of loans, net of unearned income, respectively. Annualized net credit charge-offs to quarter-to-date average loans were 0.05% for the first quarter of 2023, a six basis point decrease compared to 0.11% for the first quarter of 2022. Nonperforming loans were flat at $17.8 million, or 0.15% of total loans, at March 31, 2023 from the same amounts at December 31, 2022, and decreased compared to $19.4 million, or 0.20% of total loans, at March 31, 2022.

Noninterest Income

Noninterest income totaled $6.3 million for the three months ended March 31, 2023, a decrease of $1.6 million compared to the corresponding period in 2022. Service charges on deposit accounts decreased $208,000, or 9.71%, to $1.9 million for the three months ended March 31, 2023, compared to $2.1 million in the corresponding period in 2022. Mortgage banking revenue decreased $84,000, or 15.97%, to $442,000 for the three months ended March 31, 2023, compared to $526,000 in the corresponding period in 2022. Interest rate increases have negatively impacted the housing market, which contributed to the decrease in mortgage banking revenue. Net credit card revenue decreased $683,000, or 28.79%, to $1.7 million during the three months ended March 31, 2023, compared to $2.4 million during the three months ended March 31, 2022. The number of credit card accounts increased approximately 8.2% and the aggregate amount of spend on all credit card accounts increased 14.7% during the three months ended March 31, 2023 compared to the three months ended March 31, 2022. Other income for the three months ended March 31, 2023, decreased $4.0 million, or 86.3%, to $635,000 when compared to the corresponding period in 2022. We did not recognize any income on the interest rate cap during the first quarter of 2023, compared to $3.4 million during the first quarter of 2022. Merchant service revenue increased by $118,000, or 35.2%, to $455,000, during the first quarter of 2023 compared to $336,000 during the corresponding period in 2022.

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

	Three Months Ended March 31,			
	2023	2022	$ change	% change
	(Dollars In Thousands)			
Noninterest income:				
Service charges on deposit accounts	$ 1,934	$ 2,142	$ (208)	(9.7)%
Mortgage banking	442	526	(84)	(16.0)%
Credit cards	1,689	2,372	(683)	(28.8)%
Securities gains	-	(3,335)	NM	NM
Increase in cash surrender value life insurance	1,621	1,608	13	0.8%
Other operating income	635	4,635	(4,000)	(86.3)%
Total noninterest income	$ 6,321	$ 7,948	$ (1,627)	(20.5)%

Noninterest Expense

Noninterest expense totaled $39.7 million for the three months ended March 31, 2023, an increase of $2.4 million, or 6.6%, compared to $37.2 million for the same period in 2022. Salary and benefit expense increased $765,000, or 4.2%, to $19.1 million for the three months ended March 31, 2023, from $18.3 million for the same period in 2022. Total FTE employees increased from 511 as of March 31, 2022, to 573 as of March 31, 2023. Equipment and occupancy expense increased $502,000, or 17.1%, to $3.4 million for the three months ended March 31, 2023 from $2.9 million for the corresponding period in 2022.We opened new offices in Charlotte and Asheville, North Carolina during the second and third quarters of 2022, which contributed to the increase in equipment and occupancy expense. Third party processing and other services increased $1.7 million, or 30.0%, to $7.3 million for the three months ended March 31, 2023, from $5.6 million for the corresponding period in 2022. The increase year-over-year in third party processing also includes Federal Reserve Bank charges related to correspondent bank settlement activities. Professional services increased $662,000, or 66.7%, to $1.7 million for the three months ended March 31, 2023, from $992,000 for the same period in 2022. FDIC and other regulatory assessments increased $385,000, or 34.0%, to $1.5 million for the three months ended March 31, 2023 from $1.1 million for the corresponding period in 2022. OREO expense increased $3,000, or 100.0%, to $6,000 for the three months ended March 31, 2023 from $3,000 for the corresponding period in 2022. Other operating expenses decreased $1.6 million, or 18.8%, to $6.7 million for the three months ended March 31, 2023, from $8.3 million for the corresponding period in 2022. We recognized $874,000 of expenses during the three months ended March 31, 2022, associated with the conversion to a new core operating system scheduled to take place within the year. We wrote down investments in new market tax credit entities by $2.5 million during the three months ended March 31, 2022. We increased our ACL on unfunded loan commitments by $300,000 in the first quarter of 2022.

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

	Three Months Ended March 31, 2023	2022	$ change	% change
	(Dollars In Thousands)			
Noninterest expense:				
Salaries and employee benefits	$ 19,066	$ 18,301	$ 765	4.2%
Equipment and occupancy	3,435	2,933	502	17.1%
Third party processing and other services	7,284	5,605	1,679	30.0%
Professional services	1,654	992	662	66.7%
FDIC and other regulatory assessments	1,517	1,132	385	34.0%
Other real estate owned	6	3	3	100.0%
Other operating expense	6,702	8,252	(1,550)	(18.8)%
Total noninterest expense	$ 39,664	$ 37,218	$ 2,446	6.6%

Income Tax Expense

Income tax expense was $12.8 million for the three months ended March 31, 2023 versus $13.5 million for the same period in 2022. Our effective tax rate for the three months ended March 31, 2023 was 18.07%, compared to 18.96% for the corresponding period in 2022. We recognized tax credits during the three months ended March 31, 2023 of $3.9 million, compared to $3.3 million for the corresponding period in 2022. We recognized excess tax benefits as a credit to our income tax expense from the exercise of stock options and vesting of restricted stock of $1.1 million in the first quarter of 2023, compared to $571,000 in the first quarter of 2022. 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. GAAP and to general practices within the banking industry. To prepare consolidated financial statements in conformity with U.S. generally accepted accounting principles, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided, and future results could differ. The ACL, valuation of impaired loans and foreclosed real estate, deferred taxes, and fair value of financial instruments are particularly subject to change. Information concerning our accounting policies with respect to these items is available in Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” in our Annual Report on Form 10-K for the fiscal year ended December 31, 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 ("ALCO") 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 risks that our balance sheet is exposed to. Our annual budget reflects the anticipated rate environment for the next 12 months.

The ALCO employs modeling techniques such as net interest income simulations and economic value of equity simulations to determine what amount of the Bank's net interest income is at risk given different movements in market interest rates. Simulations assume gradual and instantaneous (shocks) movements in market interest rates of up and down 100, 200, 300 and 400 basis points, when practicable. A set of Benchmark and optional scenarios are ran and results are compared to base model results to measure sensitivity to movements in market interest rates. The ALCO establishes limits for the amount of negative change in net interest margin in the first year, second year and two-year cumulative time horizon. Current policy limits for the 100 and 200 basis point shock and ramp scenarios in the first and second year range from -4% to -17%. The ALCO conducts a quarterly analysis of the rate sensitivity position, reviews established limits, and reports its results to our board of directors. As of March 31, 2023, there have been no significant changes to our sensitivity to changes in interest rates since December 31, 2022. We could experience an increase in the cost of funding our balance sheet. In response to increased inflationary pressures the Federal Reserve increased their targeted federal funds rate from 0 – 0.25% to 4.75 – 5.00% since March of 2022. Such rate increases could lead to us further increasing rates on our deposits and short-term borrowings. We could also experience increased pricing competition for our existing loans or future borrower prospects, which could decrease rates earned on our earning assets.

ITEM 4. CONTROLS AND PROCEDURES

CEO and CFO Certification.

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

Evaluation of Disclosure Controls and Procedures.

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

We conducted an evaluation (the "Evaluation") of the effectiveness of the design and operation of our disclosure controls and procedures under the supervision and with the participation of our management, including our CEO and CFO, as of March 31, 2023. Based upon the Evaluation, our CEO and CFO have concluded that, as of March 31, 2023, our disclosure controls and procedures are effective to ensure that material information relating to ServisFirst Bancshares, Inc. and its subsidiaries is made known to management, including the CEO and CFO, particularly during the period when our periodic reports are being prepared.

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

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time we may be a party to various legal proceedings arising in the ordinary course of business. Management does not believe the Company or the Bank is currently a party to any material legal proceedings except as disclosed in Item 3, "Legal Proceedings", in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, and there has been no material change in any matter described therein.

ITEM 1A. RISK FACTORS

Our business is influenced by many factors that are difficult to predict, involve uncertainties that may materially affect actual results and are often beyond our control. We have identified a number of these risk factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, 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, 2022.

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

(a) Exhibit:

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

SIGNATURES

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

SERVISFIRST BANCSHARES, INC.

Date: May 2, 2023	By	/s/ Thomas A. Broughton III Thomas A. Broughton III President and Chief Executive Officer
Date: May 2, 2023	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: May 2, 2023

/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: May 2, 2023

/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 March 31, 2023, 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: May 2, 2023

/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 March 31, 2023, 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: May 2, 2023

/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.