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

FORM 10-Q

(Mark one)
☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2016

☐ **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.)*
850 Shades Creek Parkway, Birmingham, Alabama	**35209**
(Address of Principal Executive Offices)	*(Zip Code)*

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes ☒ No ☐

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

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

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

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

Class	Outstanding as of October 28, 2016
Common stock, $.001 par value	26,305,448

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PART 1. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

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

	September 30, 2016 (Unaudited)	December 31, 2015 (1)
ASSETS		
Cash and due from banks	$ 57,221	$ 46,614
Interest-bearing balances due from depository institutions	553,392	270,836
Federal funds sold	181,644	34,785
Cash and cash equivalents	792,257	352,235
Available for sale debt securities, at fair value	351,417	342,938
Held to maturity debt securities (fair value of $26,912 and $27,910 at September 30, 2016 and December 31, 2015, respectively)	25,853	27,426
Restricted equity securities	5,668	4,954
Mortgage loans held for sale	6,026	8,249
Loans	4,657,284	4,216,375
Less allowance for loan losses	(48,933)	(43,419)
Loans, net	4,608,351	4,172,956
Premises and equipment, net	25,033	19,434
Accrued interest and dividends receivable	14,648	13,698
Deferred tax assets	22,223	23,425
Other real estate owned and repossessed assets	3,035	5,392
Bank owned life insurance contracts	113,643	91,594
Goodwill and other identifiable intangible assets	15,073	15,330
Other assets	19,394	17,878
Total assets	$ 6,002,621	$ 5,095,509
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Noninterest-bearing	$ 1,269,726	$ 1,053,467
Interest-bearing	3,811,402	3,170,421
Total deposits	5,081,128	4,223,888
Federal funds purchased	344,390	352,360
Other borrowings	55,356	55,637
Accrued interest payable	3,626	2,369
Other liabilities	10,255	12,108
Total liabilities	5,494,755	4,646,362
Stockholders' equity:		
Preferred stock, Series A Senior Non-Cumulative Perpetual, par value $.001 (liquidation preference $1,000), net of discount; no shares authorized, no shares issued and outstanding at September 30, 2016; 40,000 shares authorized, no shares issued and outstanding at December 31, 2015	-	-
Preferred stock, par value $.001 per share; 1,000,000 shares authorized and undesignated at September 30, 2016, and 1,000,000 shares authorized and 960,000 shares undesignated at December 31, 2015	-	-
Common stock, par value $.001 per share; 100,000,000 shares authorized and 26,305,448 shares issued and outstanding at September 30, 2016, and 50,000,000 authorized and 25,972,698 shares issued and outstanding at December 31, 2015	26	26
Additional paid-in capital	215,262	211,546
Retained earnings	287,568	234,150
Accumulated other comprehensive income	4,633	3,048
Total stockholders' equity attributable to ServisFirst Bancshares, Inc.	507,489	448,770
Noncontrolling interest	377	377
Total stockholders' equity	507,866	449,147
Total liabilities and stockholders' equity	$ 6,002,621	$ 5,095,509

(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 September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Interest income:				
Interest and fees on loans	$ 51,598	$ 44,401	$ 148,055	$ 125,152
Taxable securities	1,107	1,041	3,614	3,273
Nontaxable securities	823	890	2,515	2,624
Federal funds sold	347	32	630	81
Other interest and dividends	816	168	1,888	394
Total interest income	54,691	46,532	156,702	131,524
Interest expense:				
Deposits	5,358	3,818	14,352	10,600
Borrowed funds	1,415	852	4,362	1,814
Total interest expense	6,773	4,670	18,714	12,414
Net interest income	47,918	41,862	137,988	119,110
Provision for loan losses	3,464	3,072	9,323	9,539
Net interest income after provision for loan losses	44,454	38,790	128,665	109,571
Noninterest income:				
Service charges on deposit accounts	1,367	1,279	3,980	3,762
Mortgage banking	1,112	873	2,681	2,062
Securities (losses) gains	-	-	(3)	29
Increase in cash surrender value life insurance	770	683	2,049	1,991
Other operating income	1,542	903	3,366	2,258
Total noninterest income	4,791	3,738	12,073	10,102
Noninterest expenses:				
Salaries and employee benefits	10,958	10,595	32,758	30,029
Equipment and occupancy expense	2,100	1,575	6,108	4,870
Professional services	1,182	668	2,919	1,901
FDIC and other regulatory assessments	775	681	2,328	1,927
OREO expense	178	400	668	903
Merger expense	-	-	-	2,100
Other operating expenses	4,969	4,329	14,175	13,264
Total noninterest expenses	20,162	18,248	58,956	54,994
Income before income taxes	29,083	24,280	81,782	64,679
Provision for income taxes	8,174	8,014	22,041	20,889
Net income	20,909	16,266	59,741	43,790
Preferred stock dividends	-	33	23	256
Net income available to common stockholders	$ 20,909	$ 16,233	$ 59,718	$ 43,534
Basic earnings per common share	$ 0.80	$ 0.63	$ 2.27	$ 1.70
Diluted earnings per common share	$ 0.78	$ 0.61	$ 2.23	$ 1.65

See Notes to Consolidated Financial Statements

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net income	$ 20,909	$ 16,266	$ 59,741	$ 43,790
Other comprehensive (loss) income, net of tax:				
Unrealized holding (losses) gains arising during period from securities available for sale, net of tax of $(415) and $844 for the three and nine months ended September 30, 2016, respectively, and $393 and $3 for the three and nine months ended September 30, 2015, respectively	(771)	729	1,583	7
Reclassification adjustment for net losses (gains) on sale of securities in net income, net of tax of $1 for the nine months ended September 30, 2016, and $10 for the nine months ended September 30, 2015	-	-	2	(19)
Other comprehensive (loss) income, net of tax	(771)	729	1,585	(12)
Comprehensive income	$ 20,138	$ 16,995	$ 61,326	$ 43,778

See Notes to Consolidated Financial Statements

SERVISFIRST BANCSHARES, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015
(In thousands, except share amounts)
(Unaudited)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Noncontrolling Interest	Total Stockholders' Equity
Balance, December 31, 2015	$ -	$ 26	$ 211,546	$ 234,150	$ 3,048	$ 377	$ 449,147
Common dividends paid, $0.16 per share	-	-	-	(4,194)	-	-	(4,194)
Common dividends declared, $0.08 per share	-	-	-	(2,106)	-	-	(2,106)
Preferred dividends paid	-	-	-	(23)	-	-	(23)
Issue 328,250 shares of common stock upon exercise of stock options	-	-	2,785	-	-	-	2,785
Stock-based compensation expense	-	-	931	-	-	-	931
Other comprehensive income, net of tax	-	-	-	-	1,585	-	1,585
Net income	-	-	-	59,741	-	-	59,741
Balance, September 30, 2016	$ -	$ 26	$ 215,262	$ 287,568	$ 4,633	$ 377	$ 507,866
Balance, December 31, 2014	$ 39,958	$ 25	$ 185,397	$ 177,091	$ 4,490	$ 252	$ 407,213
Common dividends paid, $0.12 per share	-	-	-	(3,089)	-	-	(3,089)
Common dividends declared, $0.06 per share	-	-	-	(1,554)	-	-	(1,554)
Preferred dividends paid	-	-	-	(256)	-	-	(256)
Issue 636,592 shares of common stock as consideration for Metro Bancshares, Inc. acquisition	-	1	19,355	-	-	-	19,356
Capitalized costs to issue shelf registration							
Issue 469,000 shares of common stock upon exercise of stock options	-	-	3,322	-	-	-	3,322
Excess tax benefit on exercise and vesting of stock options	-	-	1,515	-	-	-	1,515
Issue 125 shares of REIT preferred stock	-	-	-	-	-	125	125
Redeem 40,000 shares of Series A Senior Non-Cumulative Perpetual preferred stock	(39,958)	-	(42)	-	-	-	(40,000)
Stock-based compensation expense	-	-	857	-	-	-	857
Other comprehensive income, net of tax	-	-	-	-	(12)	-	(12)
Net income	-	-	-	43,790	-	-	43,790
Balance, September 30, 2015	$ -	$ 26	$ 210,331	$ 215,982	$ 4,478	$ 377	$ 431,194

See Notes to Consolidated Financial Statements

SERVISFIRST BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015
(In thousands) (Unaudited)

	2016	2015
OPERATING ACTIVITIES		
Net income	$ 59,741	$ 43,790
Adjustments to reconcile net income to net cash provided by:		
Deferred tax expense (benefit)	350	(3,370)
Provision for loan losses	9,323	9,539
Depreciation	2,211	1,632
Accretion on acquired loans	(819)	(1,696)
Amortization of core deposit intangible	257	281
Net amortization of debt securities available for sale	2,034	1,791
Increase in accrued interest and dividends receivable	(950)	(868)
Stock-based compensation expense	931	857
Increase in accrued interest and dividends payable	1,257	918
Proceeds from sale of mortgage loans held for sale	97,868	112,158
Originations of mortgage loans held for sale	(92,964)	(109,499)
Loss (gain) on sale of debt securities available for sale	3	(29)
Gain on sale of mortgage loans held for sale	(2,681)	(2,062)
Net loss on sale of other real estate owned	27	70
Write down of other real estate owned	557	407
Operating losses on tax credit and other partnerships	178	114
Increase in cash surrender value of life insurance contracts	(2,049)	(1,991)
Net change in other assets, liabilities, and other operating activities	(4,633)	(431)
Net cash provided by operating activities	70,641	51,611
INVESTMENT ACTIVITIES		
Purchase of debt securities available for sale	(84,106)	(27,704)
Proceeds from sale of debt securities available for sale	6,085	16,738
Proceeds from maturities, calls and paydowns of debt securities available for sale	71,425	30,831
Purchase of debt securities held to maturity	(627)	(202)
Proceeds from maturities, calls and paydowns of debt securities held to maturity	2,200	1,588
Purchase of equity securities	(708)	(534)
Increase in loans	(443,771)	(538,137)
Purchase of premises and equipment	(7,809)	(4,355)
Purchase of bank-owned life insurance contracts	(20,000)	-
Expenditures to complete construction of other real estate owned	(3)	(118)
Proceeds from sale of other real estate owned and repossessed assets	1,648	4,611
Investment in tax credit partnerships	(2,491)	(3,942)
Net cash paid in acquisition of Metro Bancshares, Inc.	-	(12,383)
Net cash used in investing activities	(478,157)	(533,607)
FINANCING ACTIVITIES		
Net increase in noninterest-bearing deposits	216,259	171,616
Net increase in interest-bearing deposits	640,981	299,104
Net decrease in federal funds purchased	(7,970)	(38,075)
Repayment of Federal Home Loan Bank advances	(300)	(200)
Proceeds from sale of preferred stock, net	-	125
Redemption of Series A Senior Non-Cumulative preferred stock	-	(40,000)
Proceeds from issuance of 5% subordinated notes due July 15, 2025	-	34,750
Costs to issue shelf registration	-	(73)
Proceeds from exercise of stock options	2,785	3,322
Dividends paid on common stock	(4,194)	(3,089)
Dividends paid on preferred stock	(23)	(256)
Net cash provided by financing activities	847,538	427,224
Net increase (decrease) in cash and cash equivalents	440,022	(54,772)
Cash and cash equivalents at beginning of year	352,235	297,464
Cash and cash equivalents at end of year	$ 792,257	$ 242,692
SUPPLEMENTAL DISCLOSURE		
Cash paid for:		
Interest	$ 17,457	$ 11,407
Income taxes	22,604	20,015
NONCASH TRANSACTIONS		
Other real estate acquired in settlement of loans	$ 2,033	$ 1,850
Internally financed sales of other real estate owned	2,161	-
Dividends declared	2,106	1,554
Fair value of assets and liabilities from acquisition:		
Fair value of tangible assets acquired	$ -	$ 201,927
Other intangible assets acquired	-	18,037
Fair value of liabilities assumed	-	(179,682)
Total merger consideration	$ -	$ 40,282

See Notes to Consolidated Financial Statements

SERVISFIRST BANCSHARES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2016
(Unaudited)

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") and its consolidated subsidiaries, including ServisFirst Bank (the "Bank"), may achieve for future interim periods or the entire year. For further information, refer to the consolidated financial statements and footnotes included in the Company's Form 10-K for the year ended December 31, 2015.

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

NOTE 2 - CASH AND CASH EQUIVALENTS

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

NOTE 3 - EARNINGS PER COMMON SHARE

Basic earnings per common share are computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings per common share include the dilutive effect of additional potential common shares issuable under stock options.

	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
	(In Thousands, Except Shares and Per Share Data)			
Earnings per common share				
Weighted average common shares outstanding	26,277,459	25,883,562	26,278,955	25,636,690
Net income available to common stockholders	$ 20,909	$ 16,233	$ 59,718	$ 43,534
Basic earnings per common share	$ 0.80	$ 0.63	$ 2.27	$ 1.70
Weighted average common shares outstanding	26,277,459	25,883,562	26,278,955	25,636,690
Dilutive effects of assumed conversions and exercise of stock options	662,205	622,772	466,004	754,410
Weighted average common and dilutive potential common shares outstanding	26,939,664	26,506,334	26,744,959	26,391,100
Net income available to common stockholders	$ 20,909	$ 16,233	$ 59,718	$ 43,534
Diluted earnings per common share	$ 0.78	$ 0.61	$ 2.23	$ 1.65

NOTE 4 - SECURITIES

The amortized cost and fair value of available-for-sale and held-to-maturity securities at September 30, 2016 and December 31, 2015 are summarized as follows:

	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Market Value
	(In Thousands)			
September 30, 2016				
Securities Available for Sale				
U.S. Treasury and government sponsored agencies	$ 35,999	$ 859	$ -	$ 36,858
Mortgage-backed securities	161,686	3,776	(31)	165,431
State and municipal securities	137,649	2,512	(36)	140,125
Corporate debt	8,967	36	-	9,003
Total	344,301	7,183	(67)	351,417
Securities Held to Maturity				
Mortgage-backed securities	20,214	604	-	20,818
State and municipal securities	5,639	455	-	6,094
Total	$ 25,853	$ 1,059	$ -	$ 26,912
December 31, 2015				
Securities Available for Sale				
U.S. Treasury and government sponsored agencies	$ 44,581	$ 569	$ (141)	$ 45,009
Mortgage-backed securities	135,363	1,945	(354)	136,954
State and municipal securities	143,403	2,731	(101)	146,033
Corporate debt	14,902	67	(27)	14,942
Total	338,249	5,312	(623)	342,938
Securities Held to Maturity				
Mortgage-backed securities	21,666	368	(332)	21,702
State and municipal securities	5,760	449	(1)	6,208
Total	$ 27,426	$ 817	$ (333)	$ 27,910

The amortized cost and fair value of debt securities as of September 30, 2016 by contractual maturity are shown below. Actual maturities may differ from contractual maturities of mortgage-backed securities since the mortgages underlying the securities may be called or prepaid with or without penalty. Therefore, these securities are not included in the maturity categories along with the other categories of debt securities.

	September 30, 2016 Amortized Cost	September 30, 2016 Fair Value	December 31, 2015 Amortized Cost	December 31, 2015 Fair Value
	(In thousands)			
Debt securities available for sale				
Due within one year	$ 24,263	$ 24,405	$ 16,770	$ 16,868
Due from one to five years	141,696	144,492	153,880	156,311
Due from five to ten years	16,656	17,089	32,236	32,805
Mortgage-backed securities	161,686	165,431	135,363	136,954
	$ 344,301	$ 351,417	$ 338,249	$ 342,938
Debt securities held to maturity				
Due from five to ten years	$ 741	$ 781	$ 627	$ 659
Due after ten years	4,898	5,313	5,133	5,549
Mortgage-backed securities	20,214	20,818	21,666	21,702
	$ 25,853	$ 26,912	$ 27,426	$ 27,910

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

The following table identifies, as of September 30, 2016 and December 31, 2015, 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. At September 30, 2016, six of the Company's 754 debt securities had been in an unrealized loss position for 12 or more months. The Company does not intend to sell these securities and it is more likely than not that the Company will not be required to sell the securities before recovery of their amortized cost, which may be maturity; accordingly, the Company does not consider these securities to be other-than-temporarily impaired at September 30, 2016. Further, the Company believes any deterioration in value of its current investment securities is attributable to changes in market interest rates and not credit quality of the issuer.

	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)					
September 30, 2016						
U.S. Treasury and government sponsored agencies	$ -	$ -	$ -	$ -	$ -	$ -
Mortgage-backed securities	(31)	15,624	-	-	(31)	15,624
State and municipal securities	(29)	9,161	(7)	1,125	(36)	10,286
Corporate debt	-	-	-	-	-	-
Total	$ (60)	$ 24,785	$ (7)	$ 1,125	$ (67)	$ 25,910
December 31, 2015						
U.S. Treasury and government sponsored agencies	$ (141)	$ 3,886	$ -	$ -	$ (141)	$ 3,886
Mortgage-backed securities	(354)	56,609	(332)	11,712	(686)	68,321
State and municipal securities	(55)	15,464	(47)	4,531	(102)	19,995
Corporate debt	(27)	2,961	-	-	(27)	2,961
Total	$ (577)	$ 78,920	$ (379)	$ 16,243	$ (956)	$ 95,163

NOTE 5 - LOANS

The following table details the Company's loans at September 30, 2016 and December 31, 2015:

	September 30, 2016	December 31, 2015
	(Dollars In Thousands)	
Commercial, financial and agricultural	$ 1,910,777	$ 1,760,479
Real estate - construction	292,721	243,267
Real estate - mortgage:		
Owner-occupied commercial	1,138,308	1,014,669
1-4 family mortgage	520,394	444,134
Other mortgage	740,127	698,779
Subtotal: Real estate - mortgage	2,398,829	2,157,582
Consumer	54,957	55,047
Total Loans	4,657,284	4,216,375
Less: Allowance for loan losses	(48,933)	(43,419)
Net Loans	$ 4,608,351	$ 4,172,956
Commercial, financial and agricultural	41.03%	41.75%
Real estate - construction	6.29%	5.77%
Real estate - mortgage:		
Owner-occupied commercial	24.44%	24.07%
1-4 family mortgage	11.17%	10.53%
Other mortgage	15.89%	16.57%
Subtotal: Real estate - mortgage	51.50%	51.17%
Consumer	1.18%	1.31%
Total Loans	100.00%	100.00%

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

- Pass – loans which are well protected by the current net worth and paying capacity of the obligor (or obligors, if any) or by the fair value, less cost to acquire and sell, of any underlying collateral.

- Special Mention – loans with potential weakness that may, if not reversed or corrected, weaken the credit or inadequately protect the Company's position at some future date. These loans are not adversely classified and do not expose an institution to sufficient risk to warrant an adverse classification.

- Substandard – loans that exhibit well-defined weakness or weaknesses that currently jeopardize debt repayment. These loans are characterized by the distinct possibility that the institution will sustain some loss if the weaknesses are not corrected.

- Doubtful – loans that have all the weaknesses inherent in loans classified substandard, plus the added characteristic that the weaknesses make collection or liquidation in full on the basis of currently existing facts, conditions, and values highly questionable and improbable.

Loans by credit quality indicator as of September 30, 2016 and December 31, 2015were as follows:

September 30, 2016	Pass	Special Mention	Substandard	Doubtful	Total
			(In Thousands)		
Commercial, financial and agricultural	$ 1,823,652	$ 52,635	$ 34,490	$ -	$ 1,910,777
Real estate - construction	281,586	1,309	9,826	-	292,721
Real estate - mortgage:					
Owner-occupied commercial	1,119,043	3,339	15,926	-	1,138,308
1-4 family mortgage	514,979	946	4,469	-	520,394
Other mortgage	725,983	2,852	11,292	-	740,127
Total real estate mortgage	2,360,005	7,137	31,687	-	2,398,829
Consumer	54,746	211	-	-	54,957
Total	$ 4,519,989	$ 61,292	$ 76,003	$ -	$ 4,657,284

December 31, 2015	Pass	Special Mention	Substandard	Doubtful	Total
			(In Thousands)		
Commercial, financial and agricultural	$ 1,701,591	$ 47,393	$ 11,495	$ -	$ 1,760,479
Real estate - construction	233,046	6,221	4,000	-	243,267
Real estate - mortgage:					
Owner-occupied commercial	988,762	18,169	7,738	-	1,014,669
1-4 family mortgage	437,834	3,301	2,999	-	444,134
Other mortgage	683,157	11,086	4,536	-	698,779
Total real estate mortgage	2,109,753	32,556	15,273	-	2,157,582
Consumer	54,973	42	32	-	55,047
Total	$ 4,099,363	$ 86,212	$ 30,800	$ -	$ 4,216,375

Loans by performance status as of September 30, 2016 and December 31, 2015 were as follows:

September 30, 2016	Performing	Nonperforming	Total
		(In Thousands)	
Commercial, financial and agricultural	$ 1,909,606	$ 1,171	$ 1,910,777
Real estate - construction	289,345	3,376	292,721
Real estate - mortgage:			
Owner-occupied commercial	1,136,869	1,439	1,138,308
1-4 family mortgage	520,139	255	520,394
Other mortgage	739,719	408	740,127
Total real estate mortgage	2,396,727	2,102	2,398,829
Consumer	54,916	41	54,957
Total	$ 4,650,594	$ 6,690	$ 4,657,284

December 31, 2015	Performing	Nonperforming	Total
		(In Thousands)	
Commercial, financial and agricultural	$ 1,758,561	$ 1,918	$ 1,760,479
Real estate - construction	239,267	4,000	243,267
Real estate - mortgage:			
Owner-occupied commercial	1,014,669	-	1,014,669
1-4 family mortgage	443,936	198	444,134
Other mortgage	697,160	1,619	698,779
Total real estate mortgage	2,155,765	1,817	2,157,582
Consumer	55,015	32	55,047
Total	$ 4,208,608	$ 7,767	$ 4,216,375

Total past due loans were $33 million as of September 30, 2016, an increase of $32.4 million compared to $0.6 million as of December 31, 2015. These past due loans are primarily long-term secured credit relationships. Management anticipates repayment of these loans in an ordinary, customary manner. Loans by past due status as of September 30, 2016 and December 31, 2015 were as follows:

September 30, 2016	Past Due Status (Accruing Loans)						
	30-59 Days	60-89 Days	90+ Days	Total Past Due	Non-Accrual	Current	Total Loans
				(In Thousands)			
Commercial, financial and agricultural	$ 8,108	$ 24	$ 2	$ 8,134	$ 1,169	$ 1,901,474	$ 1,910,777
Real estate - construction	5,570	-	-	5,570	3,376	283,775	292,721
Real estate - mortgage:							
Owner-occupied commercial	3,058	6,208	-	9,266	1,439	1,127,603	1,138,308
1-4 family mortgage	301	-	-	301	255	519,838	520,394
Other mortgage	9,598	-	-	9,598	408	730,121	740,127
Total real estate - mortgage	12,957	6,208	-	19,165	2,102	2,377,562	2,398,829
Consumer	36	26	41	103	-	54,854	54,957
Total	$ 26,671	$ 6,258	$ 43	$ 32,972	$ 6,647	$ 4,617,665	$ 4,657,284

December 31, 2015	Past Due Status (Accruing Loans)						
	30-59 Days	60-89 Days	90+ Days	Total Past Due	Non-Accrual	Current	Total Loans
				(In Thousands)			
Commercial, financial and agricultural	$ 50	$ 35	$ -	$ 85	$ 1,918	$ 1,758,476	$ 1,760,479
Real estate - construction	198	12	-	210	4,000	239,057	243,267
Real estate - mortgage:							
Owner-occupied commercial	-	-	-	-	-	1,014,669	1,014,669
1-4 family mortgage	-	210	-	210	198	443,726	444,134
Other mortgage	-	-	-	-	1,619	697,160	698,779
Total real estate - mortgage	-	210	-	210	1,817	2,155,555	2,157,582
Consumer	45	6	1	52	31	54,964	55,047
Total	$ 293	$ 263	$ 1	$ 557	$ 7,766	$ 4,208,052	$ 4,216,375

The allowance for loan losses is maintained at a level which, in management's judgment, is adequate to absorb credit losses inherent in the loan portfolio. The amount of the allowance is based on management's evaluation of the collectability of the loan portfolio, including the nature of the portfolio, credit concentrations, trends in historical loss experience, specific impaired loans, economic conditions and other risks inherent in the portfolio. Allowances for impaired loans are generally determined based on collateral values or the present value of the estimated cash flows. The allowance is increased by a provision for loan losses, which is charged to expense, and reduced by charge-offs, net of recoveries. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the allowance for losses on loans. Such agencies may require the Company to recognize adjustments to the allowance based on their judgments about information available to them at the time of their examination.

The methodology utilized for the calculation of the allowance for loan losses is divided into four distinct categories. Those categories include allowances for non-impaired loans (ASC 450), impaired loans (ASC 310), external qualitative factors, and internal qualitative factors. A description of each category of the allowance for loan loss methodology is listed below.

Non-Impaired Loans. Non-impaired loans are grouped into homogeneous loan pools by loan type and are the following: commercial and industrial, construction and development, commercial real estate, second lien home equity lines of credit, and all other loans. Each loan pool is stratified by internal risk rating and multiplied by a loss allocation percentage derived from the loan pool historical loss rate. The historical loss rate is based on an age weighted 5 year history of net charge-offs experienced by pool, with the most recent net charge-off experience given a greater weighting. This results in the expected loss rate per year, adjusted by a qualitative adjustment factor and a years-to-impairment factor, for each pool of loans to derive the total amount of allowance for non-impaired loans.

Impaired Loans. Loans are considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect all amounts due according to the original terms of the loan agreement. The collection of all amounts due according to contractual terms means that both the contractual interest and principal payments of a loan will be collected as scheduled in the loan agreement. Impaired loans are measured based on the present value of expected future cash flows discounted at the loan's effective interest rate, at the loan's observable market price or the fair value of the underlying collateral. The fair value of collateral, reduced by costs to sell on a discounted basis, is used if a loan is collateral-dependent. Fair value estimates for specifically impaired collateral-dependent loans are derived from appraised values based on the current market value or "as is" value of the property, normally from recently received and reviewed appraisals. Appraisals are obtained from certified and licensed appraisers and are based on certain assumptions, which may include construction or development status and the highest and best use of the property. These appraisals are reviewed by our credit administration department, and values are adjusted downward to reflect anticipated disposition costs. Once this estimated net realizable value has been determined, the value used in the impairment assessment is updated for each impaired loan. As subsequent events dictate and estimated net realizable values decline, required reserves may be established or further adjustments recorded.

External Qualitative Factors. The determination of the portion of the allowance for loan losses relating to external qualitative factors is based on consideration of the following factors: gross domestic product growth rate, changes in prime rate, delinquency trends, peer delinquency trends, year-over-year loan growth and state unemployment rate trends. Data for the three most recent periods is utilized in the calculation for each external qualitative component. The factors have a consistent weighted methodology to calculate the amount of allowance due to external qualitative factors.

Internal Qualitative Factors. The determination of the portion of the allowance for loan losses relating to internal qualitative factors is based on the consideration of criteria which includes the following: number of extensions and deferrals, single pay and interest only loans, current financial information, credit concentrations and risk grade accuracy. A self-assessment for each of the criteria is made with a consistent weighted methodology used to calculate the amount of allowance required for internal qualitative factors.

The following table presents an analysis of the allowance for loan losses by portfolio segment and changes in the allowance for loan losses for the three and nine months ended September 30, 2016 and September 30, 2015. The total allowance for loan losses is disaggregated into those amounts associated with loans individually evaluated and those associated with loans collectively evaluated.

	Commercial, financial and agricultural	Real estate - construction	Real estate - mortgage	Consumer	Total
	(In Thousands)				
	Three Months Ended September 30, 2016				
Allowance for loan losses:					
Balance at June 30, 2016	$ 23,655	$ 5,279	$ 17,600	$ 464	$ 46,998
Charge-offs	(1,270)	(79)	(144)	(81)	(1,574)
Recoveries	35	9	1	-	45
Provision	3,560	(394)	282	16	3,464
Balance at September 30, 2016	$ 25,980	$ 4,815	$ 17,739	$ 399	$ 48,933
	Three Months Ended September 30, 2015				
Allowance for loan losses:					
Balance at June 30, 2015	$ 19,052	$ 5,674	$ 14,171	$ 1,123	$ 40,020
Charge-offs	(388)	(31)	-	(126)	(545)
Recoveries	13	13	1	-	27
Provision	2,020	(237)	1,767	(478)	3,072
Balance at September 30, 2015	$ 20,697	$ 5,419	$ 15,939	$ 519	$ 42,574
	Nine Months Ended September 30, 2016				
Allowance for loan losses:					
Balance at December 31, 2015	$ 21,495	$ 5,432	$ 16,061	$ 431	$ 43,419
Charge-offs	(2,732)	(815)	(335)	(130)	(4,012)
Recoveries	39	64	100	-	203
Provision	7,178	134	1,913	98	9,323
Balance at September 30, 2016	$ 25,980	$ 4,815	$ 17,739	$ 399	$ 48,933
	Nine Months Ended September 30, 2015				
Allowance for loan losses:					
Balance at December 31, 2014	$ 16,079	$ 6,395	$ 12,112	$ 1,043	$ 35,629
Charge-offs	(1,616)	(506)	(641)	(150)	(2,913)
Recoveries	38	177	104	-	319
Provision	6,196	(647)	4,364	(374)	9,539
Balance at September 30, 2015	$ 20,697	$ 5,419	$ 15,939	$ 519	$ 42,574
	As of September 30, 2016				
Allowance for loan losses:					
Individually Evaluated for Impairment	$ 5,120	$ 940	$ 1,880	$ -	$ 7,940
Collectively Evaluated for Impairment	20,860	3,875	15,859	399	40,993
Loans:					
Ending Balance	$ 1,910,777	$ 292,721	$ 2,398,829	$ 54,957	$ 4,657,284
Individually Evaluated for Impairment	34,490	9,875	34,187	3	78,555
Collectively Evaluated for Impairment	1,876,287	282,846	2,364,642	54,954	4,578,729
	As of December 31, 2015				
Allowance for loan losses:					
Individually Evaluated for Impairment	$ 2,698	$ 1,223	$ 1,730	$ 32	$ 5,683
Collectively Evaluated for Impairment	18,797	4,209	14,331	399	37,736
Loans:					
Ending Balance	$ 1,760,479	$ 243,267	$ 2,157,582	$ 55,047	$ 4,216,375
Individually Evaluated for Impairment	11,513	4,052	17,880	46	33,491
Collectively Evaluated for Impairment	1,748,966	239,215	2,139,702	55,001	4,182,884

The following tables present details of the Company's impaired loans as of September 30, 2016 and December 31, 2015, respectively. Loans which have been fully charged off do not appear in the tables.

	September 30, 2016			For the three months ended September 30, 2016		For the nine months ended September 30, 2016	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized in Period	Average Recorded Investment	Interest Income Recognized in Period
	(In Thousands)						
With no allowance recorded:							
Commercial, financial and agricultural	$ 10,173	$ 10,173	$ -	$ 10,215	$ 192	$ 10,044	$ 556
Real estate - construction	6,497	7,362	-	6,529	115	6,058	311
Real estate - mortgage:							
Owner-occupied commercial	7,581	7,743	-	7,801	185	8,079	560
1-4 family mortgage	3,159	3,159	-	3,179	47	3,129	123
Other mortgage	9,586	9,586	-	9,405	180	9,443	526
Total real estate - mortgage	20,326	20,488	-	20,385	412	20,651	1,209
Consumer	3	5	-	6	-	6	-
Total with no allowance recorded	36,999	38,028	-	37,135	719	36,759	2,076
With an allowance recorded:							
Commercial, financial and agricultural	24,317	28,626	5,120	25,584	327	23,725	959
Real estate - construction	3,378	3,378	940	3,602	18	3,644	54
Real estate - mortgage:							
Owner-occupied commercial	10,845	10,845	1,320	10,863	113	10,827	360
1-4 family mortgage	1,310	1,310	300	681	9	668	19
Other mortgage	1,706	1,706	260	1,725	23	1,734	69
Total real estate - mortgage	13,861	13,861	1,880	13,269	145	13,229	448
Consumer	-	-	-	-	-	-	-
Total with allowance recorded	41,556	45,865	7,940	42,455	490	40,598	1,461
Total Impaired Loans:							
Commercial, financial and agricultural	34,490	38,799	5,120	35,799	519	33,769	1,515
Real estate - construction	9,875	10,740	940	10,131	133	9,702	365
Real estate - mortgage:							
Owner-occupied commercial	18,426	18,588	1,320	18,664	298	18,906	920
1-4 family mortgage	4,469	4,469	300	3,860	56	3,797	142
Other mortgage	11,292	11,292	260	11,130	203	11,177	595
Total real estate - mortgage	34,187	34,349	1,880	33,654	557	33,880	1,657
Consumer	3	5	-	6	-	6	-
Total impaired loans	$ 78,555	$ 83,893	$ 7,940	$ 79,590	$ 1,209	$ 77,357	$ 3,537

	December 31, 2015				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized in Period
			(In Thousands)		
With no allowance recorded:					
Commercial, financial and agricultural	$ 478	$ 487	$ -	$ 482	$ 24
Real estate - construction	161	163	-	370	1
Real estate - mortgage:					
Owner-occupied commercial	3,980	4,140	-	3,815	214
1-4 family mortgage	2,396	2,572	-	2,409	147
Other mortgage	4,079	4,694	-	4,559	222
Total real estate - mortgage	10,455	11,406	-	10,783	583
Consumer	14	20	-	18	1
Total with no allowance recorded	11,108	12,076	-	11,653	609
With an allowance recorded:					
Commercial, financial and agricultural	11,035	13,035	2,698	13,882	672
Real estate - construction	3,891	4,370	1,223	3,920	-
Real estate - mortgage:					
Owner-occupied commercial	6,365	6,365	1,328	9,958	568
1-4 family mortgage	603	603	263	567	19
Other mortgage	457	457	139	880	17
Total real estate - mortgage	7,425	7,425	1,730	11,405	604
Consumer	32	32	32	34	-
Total with allowance recorded	22,383	24,862	5,683	29,241	1,276
Total Impaired Loans:					
Commercial, financial and agricultural	11,513	13,522	2,698	14,364	696
Real estate - construction	4,052	4,533	1,223	4,290	1
Real estate - mortgage:					
Owner-occupied commercial	10,345	10,505	1,328	13,773	782
1-4 family mortgage	2,999	3,175	263	2,976	166
Other mortgage	4,536	5,151	139	5,439	239
Total real estate - mortgage	17,880	18,831	1,730	22,188	1,187
Consumer	46	52	32	52	1
Total impaired loans	$ 33,491	$ 36,938	$ 5,683	$ 40,894	$ 1,885

Troubled Debt Restructurings (“TDR”) at September 30, 2016, December 31, 2015 and September 30, 2015 totaled $6.7 million, $7.7 million and $8.3 million, respectively. At September 30, 2016, the Company had a related allowance for loan losses of $1.7 million allocated to these TDRs, compared to $0.9 million at December 31, 2015 and $1.3 million at September 30, 2015. TDR activity by portfolio segment for the three and nine months ended September 30, 2016 is presented in the table below. There were no modifications made to new TDRs or renewals of existing TDRs for the three and nine months ended September 30, 2015.

	Three Months Ended September 30, 2016			Nine Months Ended September 30, 2016		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
	(In Thousands)					
Troubled Debt Restructurings						
Commercial, financial and agricultural	-	$ -	$ -	1	$ 366	$ 366
Real estate - construction	-	-	-	-	-	-
Real estate - mortgage:						
Owner-occupied commercial	-	-	-	-	-	-
1-4 family mortgage	-	-	-	-	-	-
Other mortgage	-	-	-	1	234	234
Total real estate mortgage	-	-	-	1	234	234
Consumer	-	-	-	-	-	-
	-	$ -	$ -	2	$ 600	$ 600

There were no TDRs which defaulted during the three and nine months ended September 30, 2016 and 2015, and which were modified in the previous twelve months (i.e., the twelve months prior to default). For purposes of this disclosure, default is defined as 90 days past due and still accruing or placement on nonaccrual status. As of September 30, 2016, the Company's TDRs have all resulted from term extensions, rather than from interest rate reductions or debt forgiveness.

NOTE 6 - EMPLOYEE AND DIRECTOR BENEFITS

Stock Options

At September 30, 2016, the Company had stock-based compensation plans, as described below. The compensation cost that has been charged to earnings for the plans was approximately $291,000 and $931,000 for the three and nine months ended September 30, 2016 and $293,000 and $857,000 for the three and nine months ended September 30, 2015.

The Company's 2005 Amended and Restated Stock Option Plan allowed for the grant of stock options to purchase up to 3,075,000 shares of the Company's common stock. The Company's 2009 Amended and Restated Stock Incentive Plan authorizes the grant of up to 2,775,000 shares and allows for the issuance of Stock Appreciation Rights, Restricted Stock, Stock Options, Performance Shares or Performance Units. Both plans allow for the grant of incentive stock options and non-qualified stock options, and awards are granted with an exercise price equal to the market value of the Company's common stock at the date of grant. The maximum term of the options granted under the plans is ten years.

The Company estimates the fair value of each stock option award using a Black-Scholes-Merton valuation model that uses the assumptions noted in the following table. Expected volatilities are based on an index of southeastern United States publicly traded banks. The expected term for options granted is based on the 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.

	2016	2015
Expected volatility	29.00%	24.00%
Expected dividends	0.64%	0.71%
Expected term (in years)	6.25	6.25
Risk-free rate	1.86%	1.85%

The weighted average grant-date fair value of options granted during the nine months ended September 30, 2016 and September 30, 2015 was $11.90 and $8.40, respectively.

The following table summarizes stock option activity during the nine months ended September 30, 2016 and September 30, 2015:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (In Thousands)
Nine Months Ended September 30, 2016:				
Outstanding at January 1, 2016	1,249,417	$ 13.32	6.3	$ 42,743
Granted	117,000	39.96	9.5	1,398
Exercised	(328,250)	8.49	4.2	14,254
Forfeited	(6,500)	38.82	9.0	85
Outstanding at September 30, 2016	1,031,667	17.72	6.5	$ 35,277
Exercisable at September 30, 2016	297,268	$ 12.90	6.0	$ 13,901
Nine Months Ended September 30, 2015:				
Outstanding at January 1, 2015	1,622,917	$ 9.38	5.9	$ 38,256
Granted	162,000	33.26	9.5	-
Exercised	(459,000)	7.24	3.0	16,495
Forfeited	(7,500)	10.00	6.6	226
Outstanding at September 30, 2015	1,318,417	13.05	6.4	$ 35,697
Exercisable at September 30, 2015	256,918	$ 8.96	4.9	$ 8,008

As of September 30, 2016, there was approximately $2.4 million 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 2.3 years.

Restricted Stock

The Company has issued 241,588 shares of restricted stock to certain employees. The value of restricted stock awards is determined to be the current value of the Company's stock, and this total value will be recognized as compensation expense over the vesting period. As of September 30, 2016, there was $542,000 of total unrecognized compensation cost related to non-vested restricted stock. The cost is expected to be recognized evenly over the remaining 1.9 years of the restricted stock's vesting period.

NOTE 7 - DERIVATIVES

The Company has entered into agreements with secondary market investors to deliver loans on a "best efforts delivery" basis. When a rate is committed to a borrower, it is based on the best price that day and locked with the investor for the customer for a 30-day period. In the event the loan is not delivered to the investor, the Company has no risk or exposure with the investor. The interest rate lock commitments related to loans that are originated for later sale are classified as derivatives. The fair values of the Company's agreements with investors and rate lock commitments to customers as of September 30, 2016 and December 31, 2015 were not material.

NOTE 8 - RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs.* Under the ASU, an entity presents debt issuance costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of the costs is reported as interest expense. For public entities, the amendments in ASU 2015-03 were effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption was permitted for financial statements that have not been previously issued. The Company early adopted the amendments in ASU 2015-03. As of June 30, 2016, the Company had reported its $34.75 million of 5.00% Subordinated Notes due July 15, 2025 net of unamortized issue costs of $93,000 and recognized $6,000 and $18,000 of amortization in interest expense for the three and nine months ended September 30, 2016, respectively.

In August 2015, the FASB issued ASU No. 2015-15, *Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements: Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting,* to clarify the SEC staff's position on presenting and measuring debt issuance costs incurred in connection with line-of-credit arrangements given the lack of guidance on this topic in ASU 2015-03. The SEC staff has announced that it would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement. ASU 2015-15 was effective upon issuance for all entities. The Company considers the amendments in this ASU to have no effect on its consolidated financial statements.

In February 2015, the FASB issued ASU No. 2015-02, *Consolidation (Topic 810): Amendments to the Consolidation Analysis.* The amendments modify the evaluation reporting organizations must perform to determine if certain legal entities should be consolidated as VIEs. Specifically, the amendments: (1) modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities ("VIEs") or voting interest entities; (2) eliminate the presumption that a general partner should consolidate a limited partnership; (3) affect the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships; and (4) provide a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds. ASU No. 2015-02 became effective for interim and annual reporting periods beginning after December 15, 2015. The Company has adopted the provisions these amendments, and they have no impact on the Company's financial reporting.

In September 2015, the FASB issued ASU 2015-16, *Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments*. The amendments in ASU 2015-16 require that an acquirer recognize adjustments to estimated amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The amendments require that the acquirer record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the estimated amounts, calculated as if the accounting had been completed at the acquisition date. The amendments also require an entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the estimated amounts had been recognized as of the acquisition date. The amendments in this ASU are effective for public business entities for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. The amendments should be applied prospectively to adjustments to provisional amounts that occur after the effective date with earlier application permitted for financial statements that have not been issued. Adoption of these amendments had no impact on the Company's consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, *Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* ("ASU 2016-09"), which is intended to simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 is effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted. The Company elected to early adopt the provisions on this ASU during the second quarter of 2016, and retrospectively apply the changes in accounting for stock compensation back to the first quarter of 2016. In so doing, the Company has recognized a $1.2 million and $4.7 million reduction in its provision for income taxes in the three and nine months ended September 30, 2016, respectively, all related to the exercise and vesting of stock options and restricted stock. Prior to ASU 2016-09, such tax benefits were recorded as an increase to additional paid-in capital.

NOTE 9 - RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, the FASB issued ASU No. 2014-09, *Revenue From Contracts With Customers* (Topic 606). These amendments affect any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards (e.g. insurance contracts or lease contracts). This ASU will supersede the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance, and creates a Topic 606, Revenue from Contracts with Customers. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. This ASU will be effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early adoption is not permitted. The ASU allows for either full retrospective or modified retrospective adoption. The Company is assessing the effects of this ASU, which exclude financial instruments from its scope, but does not anticipate that it will have a material impact on its consolidated financial statements.

In August 2015, the FASB issued ASU 2015-14, *Revenue From Contracts With Customers (Topic 606): Deferral of the Effective Date.* This ASU defers the effective date of ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, issued in May 2014, by one year. ASU 2014-09 is discussed in the Annual Report on Form 10-K for the year ended December 31, 2014. The new guidance is effective for interim and annual reporting periods beginning after December 15, 2017. Early adoption is permitted as of the date of the original effective date, for interim and annual reporting periods beginning after December 15, 2016. The Company is currently evaluating the provisions of ASU 2015-14 and ASU 2014-09.

In January 2016, the FASB issued ASU 2016-1, *Financial Instruments Overall (Topic 825): Recognition and Measurement of Financial Assets and Financial Liabilities*. The amendments in ASU 2016-1: (a) require equity investments (except for those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income; (b) simplify the impairment assessment of equity securities without readily determinable fair values by requiring a qualitative assessment to identify impairment; (c) eliminate the requirement for public business entities to disclose the method and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet; (d) require public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes; (e) require an entity to present separately in other comprehensive income, the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments; (f) require separate presentation of financial assets and financial liabilities by measurement category and form of financial assets on the balance sheet or the notes to the financial statements; and (g) clarify that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity's other deferred tax assets. The amendments in this ASU are effective for public companies for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company is currently evaluating the impact of adopting the new guidance on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The FASB issued this ASU to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet by lessees for those leases classified as operating leases under current U.S. GAAP and disclosing key information about leasing arrangements. The amendments in this ASU are effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2018. Early application of this ASU is permitted for all entities. The Company is currently evaluating the impact of adopting the new guidance on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-07*, Investments – Equity Method and Joint Ventures (Topic 323), Simplifying the Transition to the Equity Method of Accounting* The amendments eliminate the requirement that when an investment qualifies for use of the equity method as a result of an increase in the level of ownership interest or degree of influence, an investor must adjust the investment, results of operations, and retained earnings retroactively on a step-by-step basis as if the equity method had been in effect during all previous periods that the investment had been held. The amendments require that the equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor's previously held interest and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting. The amendments require that an entity that has an available-for-sale equity security that becomes qualified for the equity method of accounting recognize through earnings the unrealized holding gain or loss in accumulated other comprehensive income at the date the investment becomes qualified for use of the equity method. The amendments are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. The amendments should be applied prospectively upon their effective date to increase the level of ownership interest or degree of influence that result in the adoption of the equity method. Early adoption is permitted. The Company is currently evaluating the impact of adopting the amendments on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-08*, Revenue from Contracts with Customers (Topic 606), Principal versus Agent Considerations (Reporting Revenue versus Net)* ("ASU 2016-08"), which clarifies the implementation guidance on principal versus agent considerations in the new revenue recognition standard. ASU 2016-08 clarifies how an entity should identify the unit of accounting (i.e. the specified good or service) for the principal versus agent evaluation and how it should apply the control principle to certain types of arrangements. The amendments in ASU 2016-08 affect the guidance in ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and have similar effective dates and transition requirements (i.e., effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods therein). The Company is currently evaluating the impact of adopting the new revenue recognition guidance on its consolidated financial statements.

In May 2016, the FASB issued ASU 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients.* The amendments do not change the core revenue recognition principle in Topic 606. The amendments provide clarifying guidance in certain narrow areas and add some practical expedients. These amendments are effective at the same date that Topic 606 is effective. Topic 606 is effective for public entities for annual reporting periods, and interim reporting periods within those annual reporting periods, beginning after December 15, 2017. Topic 606 is effective for nonpublic entities one year later. The Company is currently evaluating the impact of adopting the new revenue recognition guidance on its consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which is essentially the final rule on use of the so-called CECL model, or current expected credit losses. Among other things, the amendments in this ASU require the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. For SEC filers, the amendments in this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019, with later effective dates for non-SEC registrant public companies and other organizations. Early adoption will be permitted for all organizations for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Company is currently evaluating the impact of the amendments in this ASU on its consolidated financial statements, and is collecting data that will be needed to produce historical inputs into any models created as a result of adopting this ASU.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments,* to address diversity in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The amendments provide guidance on the following eight specific cash flow issues: 1) debt prepayment or debt extinguishment costs; 2) settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; 3) contingent consideration payments made after a business combination; 4) proceeds from the settlement of insurance claims; 5) proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies; 6) distributions received from equity method investees; 7) beneficial interests in securitization transactions; and 8) separately identifiable cash flows and application of the predominance principle. The amendments are effective for public companies for fiscal years beginning after December 31, 2017, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2018, and interim periods with fiscal years beginning after December 15, 2019. Early adoption is permitted, including adoption in an interim period. As this guidance only affects the classification within the statement of cash flows, this ASU is not expected to have a material impact on the Company’s consolidated financial statements.

NOTE 10 - FAIR VALUE MEASUREMENT

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

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

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

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

Impaired Loans. Impaired loans are measured and reported at fair value when full payment under the loan terms is not probable. Impaired loans are carried at the present value of expected future cash flows using the loan's existing rate in a discounted cash flow calculation, or the fair value of the collateral if the loan is collateral-dependent. Expected cash flows are based on internal inputs reflecting expected default rates on contractual cash flows. This method of estimating fair value does not incorporate the exit-price concept of fair value described in ASC 820-10 and would generally result in a higher value than the exit-price approach. For loans measured using the estimated fair value of collateral less costs to sell, fair value is generally determined based on appraisals performed by certified and licensed appraisers using inputs such as absorption rates, capitalization rates and market comparables, adjusted for estimated costs to sell. Management modifies the appraised values, if needed, to take into account recent developments in the market or other factors, such as changes in absorption rates or market conditions from the time of valuation, and anticipated sales values considering management's plans for disposition. Such modifications to the appraised values could result in lower valuations of such collateral. Estimated costs to sell are based on current amounts of disposal costs for similar assets. These measurements are classified as Level 3 within the valuation hierarchy. Impaired loans are subject to nonrecurring fair value adjustment upon initial recognition or subsequent impairment. A portion of the allowance for loan losses is allocated to impaired loans if the value of such loans is deemed to be less than the unpaid balance. Impaired loans are reviewed and evaluated on at least a quarterly basis for additional impairment and adjusted accordingly based on the same factors identified above. The amount recognized as an impairment charge related to impaired loans that are measured at fair value on a nonrecurring basis was $3,544,000 and $6,090,000 during the three and nine months ended September 30, 2016, respectively, and $1,573,000 and $5,209,000 during the three and nine months ended September 30, 2015, respectively.

Other Real Estate Owned. Other real estate assets ("OREO") acquired through, or in lieu of, foreclosure are held for sale and are initially recorded at the lower of cost or fair value, less selling costs. Any write-downs to fair value at the time of transfer to OREO are charged to the allowance for loan losses subsequent to foreclosure. Values are derived from appraisals of underlying collateral and discounted cash flow analysis. Appraisals are performed by certified and licensed appraisers. Subsequent to foreclosure, valuations are updated periodically and assets are marked to current fair value, not to exceed the new cost basis. In the determination of fair value subsequent to foreclosure, management also considers other factors or recent developments, such as changes in absorption rates and market conditions from the time of valuation, and anticipated sales values considering management's plans for disposition, which could result in adjustment to lower the property value estimates indicated in the appraisals. These measurements are classified as Level 3 within the valuation hierarchy. Net losses on the sale and write-downs of OREO of $148,000 and $584,000 was recognized for the three and nine months ended September 30, 2016, respectively, and $248,000 and $477,000 for the three and nine months ended September 30, 2015, respectively. These charges were for write-downs in the value of OREO subsequent to foreclosure and losses on the disposal of OREO. OREO is classified within Level 3 of the hierarchy.

Residential real estate loan foreclosures classified as OREO totaled $157,000 as of September 30, 2016 and $1,141,000 as of December 31, 2015.

No residential real estate loans were in the process of being foreclosed as of September 30, 2016.

The following table presents the Company's financial assets and financial liabilities carried at fair value on a recurring basis as of September 30, 2016 and December 31, 2015:

	Fair Value Measurements at September 30, 2016 Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
		(In Thousands)		
Assets Measured on a Recurring Basis:				
Available-for-sale securities:				
U.S. Treasury and government sponsored agencies	$ -	$ 36,858	$ -	$ 36,858
Mortgage-backed securities	-	165,431	-	165,431
State and municipal securities	-	140,125	-	140,125
Corporate debt	-	9,003	-	9,003
Total assets at fair value	$ -	$ 351,417	$ -	$ 351,417

	Fair Value Measurements at December 31, 2015 Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
		(In Thousands)		
Assets Measured on a Recurring Basis:				
Available-for-sale securities				
U.S. Treasury and government sponsored agencies	$ -	$ 45,009	$ -	$ 45,009
Mortgage-backed securities	-	136,954	-	136,954
State and municipal securities	-	146,033	-	146,033
Corporate debt	-	14,942	-	14,942
Total assets at fair value	$ -	$ 342,938	$ -	$ 342,938

The following table presents the Company's financial assets and financial liabilities carried at fair value on a nonrecurring basis as of September 30, 2016 and December 31, 2015:

	Fair Value Measurements at September 30, 2016 Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	(In Thousands)			
Assets Measured on a Nonrecurring Basis:				
Impaired loans	$ -	$ -	$ 70,615	$ 70,615
Other real estate owned and repossessed assets	-	-	3,035	3,035
Total assets at fair value	$ -	$ -	$ 73,650	$ 73,650

	Fair Value Measurements at December 31, 2015 Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	(In Thousands)			
Assets Measured on a Nonrecurring Basis:				
Impaired loans	$ -	$ -	$ 27,808	$ 27,808
Other real estate owned and repossessed assets	-	-	5,392	5,392
Total assets at fair value	$ -	$ -	$ 33,200	$ 33,200

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

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Cash and due from banks: The carrying amounts reported in the statements of financial condition approximate those assets' fair values.

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 prices obtained from independent vendors. Such independent pricing services are to advise the Company on the carrying value of the securities available for sale portfolio. As part of the Company's procedures, the price provided from the service is evaluated for reasonableness given market changes. When a questionable price exists, the Company investigates further to determine if the price is valid. If needed, other market participants may be utilized to determine the correct fair value. The Company has also reviewed and confirmed its determinations in discussions with the pricing service regarding their methods of price discovery. Securities measured with these techniques are classified within Level 2 of the hierarchy and often involve using quoted market prices for similar securities, pricing models or discounted cash flow calculations using inputs observable in the market where available. Examples include U.S. government agency securities, mortgage-backed securities, obligations of states and political subdivisions, and certain corporate, asset-backed and other securities. In cases where Level 1 or Level 2 inputs are not available, securities are classified in Level 3 of the fair value hierarchy.

Equity securities: Fair values for other investments are considered to be their cost as they are redeemed at par value.

Federal funds sold: The carrying amounts reported in the statements of financial condition approximate those assets' fair values.

Mortgage loans held for sale: Loans are committed to be delivered to investors on a "best efforts delivery" basis within 30 days of origination. Due to this short turn-around time, the carrying amounts of the Company's agreements approximate their fair values.

Bank owned life insurance contracts: The carrying amounts in the statements of condition approximate these assets' fair value.

Loans, net: For variable-rate loans that re-price frequently and with no significant change in credit risk, fair value is based on carrying amounts. The fair value of other loans (for example, fixed-rate commercial real estate loans, mortgage loans and industrial loans) is estimated using discounted cash flow analysis, based on interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. Loan fair value estimates include judgments regarding future expected loss experience and risk characteristics. The method of estimating fair value does not incorporate the exit-price concept of fair value as prescribed by ASC 820 and generally produces a higher value than an exit-price approach. The measurement of the fair value of loans is classified within Level 3 of the fair value hierarchy.

Deposits: The fair values disclosed for demand deposits are, by definition, equal to the amount payable on demand at the reporting date (that is, their carrying amounts). The carrying amounts of variable-rate, fixed-term money market accounts and certificates of deposit approximate their fair values. Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation using interest rates currently offered for deposits with similar remaining maturities. The fair value of the Company's time deposits do not take into consideration the value of the Company's long-term relationships with depositors, which may have significant value. Measurements of the fair value of certificates of deposit are classified within Level 2 of the fair value hierarchy.

Federal funds purchased: The carrying amounts in the statements of condition approximate these assets' fair value.

Other borrowings: The fair values of other borrowings are estimated using a discounted cash flow analysis, based on interest rates currently being offered on the best alternative debt available at the measurement date. These measurements are classified as Level 2 in the fair value hierarchy.

Loan commitments: The fair values of the Company's off-balance-sheet financial instruments are based on fees currently charged to enter into similar agreements. Since the majority of the Company's other off-balance-sheet financial instruments consists of non-fee-producing, variable-rate commitments, the Company has determined they do not have a distinguishable fair value.

The carrying amount, estimated fair value, and placement in the fair value hierarchy of the Company's financial instruments as of September 30, 2016 and December 31, 2015 are presented in the following table. This table includes those financial assets and liabilities that are not measured and reported at fair value on a recurring basis or nonrecurring basis.

	September 30, 2016		December 31, 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In Thousands)			
Financial Assets:				
Level 1 inputs:				
Cash and due from banks	$ 610,613	$ 610,613	$ 317,450	$ 317,450
Level 2 inputs:				
Available for sale debt securities	351,417	351,417	342,938	342,938
Held to maturity debt securities	25,853	26,912	27,426	27,910
Restricted equity securities	5,668	5,668	4,954	4,954
Federal funds sold	181,644	181,644	34,785	34,785
Mortgage loans held for sale	6,026	6,105	8,249	8,295
Bank owned life insurance contracts	113,643	113,643	91,594	91,594
Level 3 inputs:				
Loans, net	4,608,351	4,597,899	4,172,956	4,179,835
Financial liabilities:				
Level 2 inputs:				
Deposits	$ 5,081,128	$ 5,082,035	$ 4,223,888	$ 4,223,181
Federal funds purchased	344,390	344,390	352,360	352,360
Other borrowings	55,356	54,172	55,637	52,521

NOTE 11 - SUBSEQUENT EVENTS

The Company has evaluated all subsequent events through the date of this filing to ensure that this quarterly report on Form 10-Q includes appropriate disclosure of events both recognized in the financial statements as of September 30, 2016, and events which occurred subsequent to September 30, 2016 but were not recognized in the financial statements.

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

The following discussion and analysis is designed to provide a better understanding of various factors relating to the results of operations and financial condition of ServisFirst Bancshares, Inc. (the "Company") and its wholly-owned subsidiary, ServisFirst Bank (the "Bank"). This discussion is intended to supplement and highlight information contained in the accompanying unaudited consolidated financial statements as of September 30, 2016 and for the three and nine months ended September 30, 2016 and September 30, 2015.

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," "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: general economic conditions, especially in the credit markets and in the Southeast; the performance of the capital markets; changes in interest rates, yield curves and interest rate spread relationships; changes in accounting and tax principles, policies or guidelines; changes in legislation or regulatory requirements; changes in our loan portfolio and deposit base; possible changes in laws and regulations and governmental monetary and fiscal policies, including, but not limited to, economic stimulus initiatives; 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 contained herein. Accordingly, you should not place undue reliance on any forward-looking statements, which speak only as of the date made. ServisFirst Bancshares, Inc. 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 nineteen full-service banking offices located in Alabama, Florida, Georgia, South Carolina and Tennessee. Through the Bank, we originate commercial, consumer and other loans and accept deposits, provide electronic banking services, such as online and mobile banking, including remote deposit capture, deliver treasury and cash management services and provide correspondent banking services to other financial institutions.

Our principal business is to accept deposits from the public and to make loans and other investments. Our principal sources of funds for loans and investments are demand, time, savings, and other deposits (including negotiable orders of withdrawal, or NOW accounts). 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 (including NOW accounts), interest paid on our other borrowings, employee compensation, office expenses, other overhead expenses and income taxes.

Overview

As of September 30, 2016, we had consolidated total assets of $6.0 billion, an increase of $0.9 billion, or 17.6%, from $5.1 billion at December 31, 2015. Total loans were $4.7 billion at September 30, 2016, up $0.5 billion, or 11.9%, from $4.2 billion at December 31, 2015. Total deposits were $5.1 billion at September 30, 2016, an increase of $0.9 billion, or 21.4%, from $4.2 billion at December 31, 2015.

Net income available to common stockholders for the three months ended September 30, 2016 was $20.9 million, an increase of $4.7 million, or 29.0%, from $16.2 million for the corresponding period in 2015. Basic and diluted earnings per common share were $0.80 and $0.78, respectively, for the three months ended September 30, 2016, compared to $0.63 and $0.61, respectively, for the corresponding period in 2015.

Net income available to common stockholders for the nine months ended September 30, 2016 was $59.7 million, an increase of $16.2 million, or 37.2%, from $43.5 million for the corresponding period in 2015. Basic and diluted earnings per common share were $2.27 and $2.23, respectively, for the nine months ended September 30, 2016, compared to $1.70 and $1.65, respectively, for the corresponding period in 2015.

Critical Accounting Policies

The accounting and financial policies of the Company conform to U.S. generally accepted accounting principles ("U.S. GAAP") and to general practices within the banking industry. To prepare consolidated financial statements in conformity with U.S. GAAP, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided, and future results could differ. The allowance for loan losses, valuation of foreclosed real estate, deferred taxes, and fair value of financial instruments are particularly subject to change. Information concerning our accounting policies with respect to these items is available in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

Financial Condition

Cash and Cash Equivalents

As of September 30, 2016, we had $181.6 million in federal funds sold, compared to $34.8 million at December 31, 2015. We also maintain balances at the Federal Reserve Bank of Atlanta, which earn interest. At September 30, 2016, we had $551.8 million in balances at the Federal Reserve, compared to $269.4 million at December 31, 2015. This increase in balances at the Federal Reserve is due to excess liquidity resulting from growth in deposits.

Debt Securities

Debt securities available for sale totaled $351.4 million at September 30, 2016 and $342.9 million at December 31, 2015. Debt securities held to maturity totaled $25.9 million at September 30, 2016 and $27.4 million at December 31, 2015. We sold two corporate bonds for total aggregate proceeds of $6.0 million and one municipal bond for proceeds of $0.1 million. We had pay downs of $22.8 million on mortgage-backed securities and maturities and calls of $28.4 million in government agency and municipal securities during the nine months ended September 30, 2016. We bought $51.8 million in mortgage-backed securities, $11.9 million in municipal securities and $2.2 million in small business investment company (SBIC) debentures during the first nine months of 2016. Three municipal securities bought are classified as held to maturity. All other securities bought are classified as available for sale.

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

Each quarter, management assesses whether there have been events or economic circumstances indicating that a security on which there is an unrealized loss is other-than-temporarily impaired. Management considers several factors, including the amount and duration of the impairment; the intent and ability of the Company to hold the security for a period sufficient for a recovery in value; and known recent events specific to the issuer or its industry. In analyzing an issuer's financial condition, management considers whether the securities are issued by agencies of the federal government, whether downgrades by bond rating agencies have occurred, and industry analysts' reports, among other things. As we currently do not have the intent to sell these securities and it is not more likely than not that we will be required to sell these securities before recovery of their amortized cost basis, which may be at maturity, and impairment positions at September 30, 2016 are interest-rate driven, no declines are deemed to be other than temporary. We will continue to evaluate our investment securities for possible other-than-temporary impairment, which could result in non-cash charges to earnings in one or more future periods.

All securities held are traded in liquid markets. As of September 30, 2016, we owned restricted securities of the Federal Home Loan Bank with an aggregate book value and market value of $4.7 million, securities of First National Bankers Bank with an aggregate book value and market value of $0.4 million, securities of a fund that invests in Community Reinvestment Act-qualifying real estate with a book value and market value of $0.5 million, and securities of a bank holding company in Georgia with a book value and market value of $0.1 million. We had no investments in any one security, restricted or liquid, in excess of 10% of our stockholders' equity.

The Bank does not invest in collateralized debt obligations ("CDOs"). All corporate bonds had a Standard and Poor's or Moody's rating of A-1 or better when purchased. The total investment portfolio at September 30, 2016 has a combined average credit rating of AA.

The carrying value of investment securities pledged to secure public funds on deposit and for other purposes as required by law was $248.1 million and $245.5 million as of September 30, 2016 and December 31, 2015, respectively.

Loans

We had total loans of $4.7 billion at September 30, 2016, an increase of $0.5 billion, or 11.9%, compared to $4.2 billion at December 31, 2015. At September 30, 2016, the percentage of our loans in each of our regions was as follows:

	Percentage of Total Loans in MSA
Birmingham-Hoover, AL MSA	44.4%
Huntsville, AL MSA	9.7%
Dothan, AL MSA	9.7%
Montgomery, AL MSA	7.9%
Mobile, AL MSA	5.9%
Total Alabama MSAs	77.6%
Pensacola-Ferry Pass-Brent, FL MSA	7.1%
Tampa-St. Petersburg-Clearwater, FL MSA	0.6%
Total Florida MSAs	7.7%
Atlanta-Sandy Springs-Roswell, GA MSA	4.0%
Nashville-Davidson-Murfreesboro-Franklin, TN MSA	8.2%
Charleston-North Charleston, SC MSA	2.5%

Asset Quality

The allowance for loan losses is established and maintained at levels management deems adequate to absorb anticipated credit losses from identified and otherwise inherent risks in the loan portfolio as of the balance sheet date. In assessing the adequacy of the allowance for loan losses, management considers its evaluation of the loan portfolio, past due loan experience, collateral values, current economic conditions and other factors considered necessary to maintain the allowance at an adequate level. Our management believes that the allowance was adequate at September 30, 2016.

The following table presents the allocation of the allowance for loan losses for each respective loan category with the corresponding percentage of loans in each category to total loans. Management believes that the comprehensive allowance analysis developed by our credit administration group is in compliance with all current regulatory guidelines.

September 30, 2016	Amount	Percentage of loans in each category to total loans
	(In Thousands)	
Commercial, financial and agricultural	$ 25,980	41.03%
Real estate - construction	4,815	6.29%
Real estate - mortgage	17,739	51.50%
Consumer	399	1.18%
Total	$ 48,933	100.00%

December 31, 2015	Amount	Percentage of loans in each category to total loans
	(In Thousands)	
Commercial, financial and agricultural	$ 21,495	41.75%
Real estate - construction	5,432	5.77%
Real estate - mortgage	16,061	51.17%
Consumer	431	1.31%
Total	$ 43,419	100.00%

Nonperforming Assets

Total nonperforming loans, which include nonaccrual loans and loans 90 or more days past due and still accruing, decreased $1.1 million to $6.7 million at September 30, 2016, compared to $7.8 million at December 31, 2015. Of this total, nonaccrual loans were $6.6 million at September 30, 2016, compared to $7.8 million at December 31, 2015, a decrease of $1.2 million. There were three loans 90 or more days past due and still accruing totaling $43,000 at September 30, 2016, compared to one loan 90 or more days past due and still accruing totaling $1,000, at December 31, 2015. Troubled Debt Restructurings ("TDR") at September 30, 2016 and December 31, 2015 were $6.7 million and $7.7 million, respectively. There no loans newly classified as TDR for the three and nine months ended September 30, 2016. There were no renewals of existing TDRs for the three months ended September 30, 2016 and two renewals of existing TDRs totaling $600,000 for the nine months ended September 30, 2016. There were no loans newly classified as a TDR or renewals of existing TDRs for the three and nine months ended September 30, 2015.

OREO and repossessed assets decreased to $3.0 million at September 30, 2016, from $5.4 million at December 31, 2015. The total number of OREO and repossessed asset accounts decreased to eight at September 30, 2016, compared to 18 at December 31, 2015. The following table summarizes OREO and repossessed asset activity for the nine months ended September 30, 2016 and 2015:

	Nine months ended September 30,	
	2016	2015
	(In thousands)	
Balance at beginning of period	$ 5,392	$ 6,840
OREO acquired - Metro	-	2,348
Transfers from loans and capitalized expenses	2,037	1,968
Proceeds from sales	(1,648)	(4,611)
Internally financed sales	(2,162)	-
Write-downs / net loss on sales	(584)	(477)
Balance at end of period	$ 3,035	$ 6,068

The following table summarizes our nonperforming assets and TDRs at September 30, 2016 and December 31, 2015:

	September 30, 2016		December 31, 2015	
	Balance	Number of Loans	Balance	Number of Loans
	(Dollar Amounts In Thousands)			
Nonaccrual loans:				
Commercial, financial and agricultural	$ 1,169	8	$ 1,918	7
Real estate - construction	3,376	5	4,000	7
Real estate - mortgage:				
Owner-occupied commercial	1,439	1	-	-
1-4 family mortgage	255	3	198	2
Other mortgage	408	2	1,619	5
Total real estate - mortgage	2,102	6	1,817	7
Consumer	-	-	31	1
Total Nonaccrual loans:	$ 6,647	19	$ 7,766	22
90+ days past due and accruing:				
Commercial, financial and agricultural	$ 2	1	$ -	-
Real estate - construction	-	-	-	-
Real estate - mortgage:				
Owner-occupied commercial	-	-	-	-
1-4 family mortgage	-	-	-	-
Other mortgage	-	-	-	-
Total real estate - mortgage	-	-	-	-
Consumer	41	2	1	1
Total 90+ days past due and accruing:	$ 43	3	$ 1	1
Total Nonperforming Loans:	$ 6,690	22	$ 7,767	23
Plus: Other real estate owned and repossessions	3,035	8	5,392	18
Total Nonperforming Assets	$ 9,725	30	$ 13,159	41
Restructured accruing loans:				
Commercial, financial and agricultural	$ 6,519	8	$ 6,618	8
Real estate - construction	-	-	-	-
Real estate - mortgage:				
Owner-occupied commercial	-	-	-	-
1-4 family mortgage	-	-	-	-
Other mortgage	219	1	253	1
Total real estate - mortgage	219	1	253	1
Consumer	-	-	-	-
Total restructured accruing loans:	$ 6,738	9	$ 6,871	9
Total Nonperforming assets and restructured accruing loans	$ 16,463	39	$ 20,030	50
Ratios:				
Nonperforming loans to total loans	0.14%		0.18%	
Nonperforming assets to total loans plus other real estate owned and repossessions	0.21%		0.31%	
Nonperforming assets plus restructured accruing loans to total loans plus other real estate owned and repossessions	0.35%		0.47%	

The balance of nonperforming assets can fluctuate due to changes in economic conditions. We have established a policy to discontinue accruing interest on a loan (i.e., place the loan on nonaccrual status) after it has become 90 days delinquent as to payment of principal or interest, unless the loan is considered to be well-collateralized and is actively in the process of collection. In addition, a loan will be placed on nonaccrual status before it becomes 90 days delinquent unless management believes that the collection of interest is expected. Interest previously accrued but uncollected on such loans is reversed and charged against current income when the receivable is determined to be uncollectible. Interest income on nonaccrual loans is recognized only as received. If we believe that a loan will not be collected in full, we will increase the allowance for loan losses to reflect management's estimate of any potential exposure or loss. Generally, payments received on nonaccrual loans are applied directly to principal.

Impaired Loans and Allowance for Loan Losses

As of September 30, 2016, we had impaired loans of $78.6 million, inclusive of nonaccrual loans, an increase of $45.1 million from $33.5 million as of December 31, 2015. This increase is attributable to loans totaling $53.5 million newly classified as specifically impaired, partially offset by net loan pay downs and upgrades of $3.3 million, loan charge-offs of $3.2 million and OREO transfers of $1.9 million. We allocated $7.9 million of our allowance for loan losses at September 30, 2016 to these impaired loans, an increase of $2.2 million compared to $5.7 million as of December 31, 2015. During the third quarter, we downgraded four secured credit relationships totaling $35.1 million to substandard. These are long-term secured relationships that, when tested for impairment, result in one relationship requiring specific impairment of $504,000. Management will continue working these credit relationships in an ordinary, customary manner and expects losses to be minimal. A loan is considered impaired, based on current information and events, if it is probable that we will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the original loan agreement. Impairment does not always indicate credit loss, but provides an indication of collateral exposure based on prevailing market conditions and third-party valuations. Impaired loans are measured by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral-dependent. The amount of impairment, if any, and subsequent changes are included in the allowance for loan losses. Interest on accruing impaired loans is recognized as long as such loans do not meet the criteria for nonaccrual status. Our credit administration group performs verification and testing to ensure appropriate identification of impaired loans and that proper reserves are held on these loans.

Of the $78.6 million of impaired loans reported as of September 30, 2016, $34.5 million were commercial, financial and agricultural loans, $9.9 million were real estate construction loans and $34.2 million were real estate mortgage loans.

Deposits

Total deposits increased $0.9 billion, or 21.4%, to $5.1 billion at September 30, 2016 compared to $4.2 billion at December 31, 2015. We anticipate long-term sustainable growth in deposits through continued development of market share in our regions.

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."

Other Borrowings

Our borrowings consist of federal funds purchased, subordinated notes payable and Federal Home Loan Bank advances. We had $344.4 million and $352.4 million at September 30, 2016 and December 31, 2015, respectively, in federal funds purchased from correspondent banks that are clients of our correspondent banking unit. The average rate paid on these borrowings was 0.64% for the quarter ended September 30, 2016. Other borrowings consist of the following:

- $20.0 million of 5.50% Subordinated Notes due November 9, 2022, which were issued in a private placement in November 2012;
- $34.75 million of 5% Subordinated Notes due July 15, 2025, which were issued in a private placement in July 2015; and
- $700,000 of principal reducing advances from the Federal Home Loan Bank of Atlanta, which have an interest rate of 0.75% and require quarterly principal payments of $100,000 until maturity on May 22, 2018.

Liquidity

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

The retention of existing deposits and attraction of new deposit sources through new and existing customers is critical to our liquidity position. If our liquidity were to decline due to a run-off in deposits, we have procedures that provide for certain actions under varying liquidity conditions. These actions include borrowing from existing correspondent banks, selling or participating loans, and curtailing loan commitments and funding. At September 30, 2016, liquid assets, which are represented by cash and due from banks, federal funds sold and unpledged available-for-sale securities, totaled $947.4 million. On September 1, 2016, we entered into a Loan Agreement with NexBank SSB providing for revolving loans of up to an aggregate principal amount of $25.0 million. Borrowings under the Loan Agreement accrue interest at the three-month LIBOR rate plus 3.25% per annum. The Loan Agreement matures September 1, 2019. As of September 30, 2016, we had no outstanding borrowings under the Loan Agreement. Additionally, the Bank had additional borrowing availability of approximately $345.0 million in unused federal funds lines of credit with regional banks, subject to certain restrictions and collateral requirements. We believe these sources of funding are adequate to meet immediate anticipated funding needs. Our management meets on a quarterly basis to review sources and uses of funding to determine the appropriate strategy to ensure an appropriate level of liquidity. At the current time, our long-term liquidity needs primarily relate to funds required to support loan originations and commitments and deposit withdrawals. Our regular sources of funding are from the growth of our deposit base, correspondent banking relationships and related federal funds purchased, repayment of principal and interest on loans, the sale of loans and the renewal of time deposits. In addition, we have issued debt as described above under "Other Borrowings".

We are subject to general FDIC guidelines that require a minimum level of liquidity. Management believes our liquidity ratios meet or exceed these guidelines. Our management is not currently aware of any trends or demands that are reasonably likely to result in liquidity materially increasing or decreasing.

The following table reflects the contractual maturities of our term liabilities as of September 30, 2016. The amounts shown do not reflect any early withdrawal or prepayment assumptions.

	Payments due by Period				
	Total	1 year or less	Over 1 - 3 years	Over 3 - 5 years	Over 5 years
	(In Thousands)				
Contractual Obligations (1)					
Deposits without a stated maturity	$ 4,553,498	$ -	$ -	$ -	$ -
Certificates of deposit (2)	527,630	295,108	161,714	68,224	2,584
Federal funds purchased	344,390	344,390	-	-	-
Other borrowings	55,356	400	300	-	54,656
Operating lease commitments	21,548	4,059	7,302	4,679	5,508
Total	$ 5,502,422	$ 643,957	$ 169,316	$ 72,903	$ 62,748

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

Capital Adequacy

As of September 30, 2016, our most recent notification from the FDIC categorized us as well-capitalized under the regulatory framework for prompt corrective action. To remain categorized as well-capitalized, we must maintain minimum total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios as disclosed in the table below. Our management believes that we are well-capitalized under the prompt corrective action provisions as of September 30, 2016.

We issued subordinated notes payable in the aggregate amount of $34.75 million on July 15, 2015. The notes qualify as Tier 2 Capital. We used the proceeds from the issuance of the notes to redeem our Senior Non-Cumulative Perpetual Preferred Stock, Series A, issued to the United States Department of the Treasury on June 21, 2011.

In July 2013, the Federal Reserve announced its approval of a final rule to implement the regulatory capital reforms developed by the Basel Committee on Banking Supervision ("Basel III"), among other changes required by the Dodd-Frank Wall Street Reform and Consumer Protection Act. The new rules became effective January 1, 2015, subject to a phase-in period for certain aspects of the new rules. In order to avoid restrictions on capital distributions and discretionary bonus payments to executives, under the new rules a covered banking organization will also be required to maintain a "capital conservation buffer" in addition to its minimum risk-based capital requirements. This buffer will be required to consist solely of common equity Tier 1, and the buffer will apply to all three risk-based measurements (CET1, Tier 1 capital and total capital). The capital conservation buffer will be phased in incrementally over time, beginning January 1, 2016 and becoming fully effective on January 1, 2019, and will ultimately consist of an additional amount of Tier 1 common equity equal to 2.5% of risk-weighted assets.

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 September 30, 2016, December 31, 2015 and September 30, 2015:

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of September 30, 2016:			(Dollars in thousands)			
CET 1 Capital to Risk-Weighted Assets:						
Consolidated	$ 488,673	9.91%	$ 221,937	4.50%	N/A	N/A
ServisFirst Bank	540,233	10.96%	221,902	4.50%	$ 320,525	6.50%
Tier 1 Capital to Risk-Weighted Assets:						
Consolidated	489,050	9.92%	295,916	6.00%	N/A	N/A
ServisFirst Bank	540,610	10.96%	295,869	6.00%	394,493	8.00%
Total Capital to Risk-Weighted Assets:						
Consolidated	593,140	12.03%	394,554	8.00%	N/A	N/A
ServisFirst Bank	590,043	11.97%	394,493	8.00%	493,116	10.00%
Tier 1 Capital to Average Assets:						
Consolidated	489,050	8.20%	238,594	4.00%	N/A	N/A
ServisFirst Bank	540,610	9.06%	238,583	4.00%	298,228	5.00%
As of December 31, 2015:						
CET 1 Capital to Risk-Weighted Assets:						
Consolidated	$ 431,642	9.72%	$ 199,836	4.50%	N/A	N/A
ServisFirst Bank	439,279	9.89%	199,806	4.50%	$ 288,608	6.50%
Tier 1 Capital to Risk-Weighted Assets:						
Consolidated	432,019	9.73%	266,448	6.00%	N/A	N/A
ServisFirst Bank	439,656	9.90%	266,407	6.00%	355,210	8.00%
Total Capital to Risk-Weighted Assets:						
Consolidated	530,688	11.95%	355,264	8.00%	N/A	N/A
ServisFirst Bank	483,575	10.89%	355,210	8.00%	444,012	10.00%
Tier 1 Capital to Average Assets:						
Consolidated	432,019	8.55%	202,043	4.00%	N/A	N/A
ServisFirst Bank	439,656	8.71%	202,023	4.00%	252,529	5.00%
As of September 30, 2015:						
CET 1 Capital to Risk-Weighted Assets:						
Consolidated	$ 409,901	9.59%	$ 192,335	4.50%	N/A	N/A
ServisFirst Bank	414,687	9.71%	192,262	4.50%	$ 277,712	6.50%
Tier 1 Capital to Risk-Weighted Assets:						
Consolidated	410,278	9.60%	256,447	6.00%	N/A	N/A
ServisFirst Bank	415,064	9.71%	256,349	6.00%	341,799	8.00%
Total Capital to Risk-Weighted Assets:						
Consolidated	507,982	11.89%	341,929	8.00%	N/A	N/A
ServisFirst Bank	458,138	10.72%	341,799	8.00%	427,249	10.00%
Tier 1 Capital to Average Assets:						
Consolidated	410,278	8.83%	185,947	4.00%	N/A	N/A
ServisFirst Bank	415,064	8.93%	186,569	4.00%	232,390	5.00%

Off-Balance Sheet Arrangements

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

Our exposure to credit loss in the event of non-performance by the other party to such financial instruments is represented by the contractual or notional amount of those instruments. We use the same credit policies in making commitments and conditional obligations as we do for on-balance sheet instruments. As of September 30, 2016, we have reserved $500,000 for losses on such off-balance sheet arrangements consistent with guidance in the Federal Reserve Bank’s Interagency Policy Statement SR 06-17.

As part of our mortgage operations, we originate and sell certain loans to investors in the secondary market. We continue to experience a manageable level of investor repurchase demands. For loans sold, we have an obligation to either repurchase the outstanding principal balance of a loan or make the purchaser whole for the economic benefits of a loan if it is determined that the loans sold were in violation of representations and warranties made by the Bank at the time of the sale. Representations and warranties typically include those made regarding loans that had missing or insufficient file documentation or loans obtained through fraud by borrowers or other third parties such as appraisers. We had a reserve of $368,000 as of September 30, 2016 and $91,000 as of December 31, 2015 for the settlement of any repurchase demands by investors. In December 2014, we repurchased one loan with a principal balance of $292,000 from an investor due to a loan-to-value ("LTV") exception. We resold this loan during the second quarter of 2016, and such sales proceeds were posted back into this reserve account.

Financial instruments whose contract amounts represent credit risk at September 30, 2016 are as follows:

	September 30, 2016 (In Thousands)
Commitments to extend credit	$ 1,590,942
Credit card arrangements	97,423
Standby letters of credit	40,588
	$ 1,728,953

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 for the three months ended September 30, 2016 was $20.9 million compared to net income of $16.3 million for the three months ended September 30, 2015. Net income for the nine months ended September 30, 2016 was $59.7 million compared to net income of $43.8 million for the nine months ended September 30, 2015. Core net income for the nine months ended September 30, 2015 was $45.6 million. Core net income excludes the impact of non-routine expenses associated with the Metro merger and the initial funding of reserves for unfunded loan commitments during the comparative periods, as more fully discussed in "Noninterest Expense" below. For a reconciliation of these non-GAAP measures to the most comparable GAAP measure, see "GAAP Reconciliation and Management Explanation of Non-GAAP Financial Measures" below. The increase in net income for the three months ended September 30, 2016 compared to 2015 was primarily the result of a $6.0 million increase in net interest income as a result of growth in average earning assets. We recognized a $1.2 million credit to our income tax expense during the three months ended September 30, 2016 as a result of early adopting ASU 2016-09 in the second quarter of 2016. See further details of the adoption of this new accounting rule in "Income Tax Expense" below. Non-interest expenses increased $1.9 million for the three months ended September 30, 2016 compared to 2015. The increase in net income for the nine months ended September 30, 2016 compared to 2015 was primarily the result of a $18.9 million increase in net interest income as a result of growth in average earning assets and a $4.7 million reduction in our income tax expense as a result of adopting ASU 2016-09, offset by a $4.0 million increase in noninterest expense.

Basic and diluted net income per common share were $0.80 and $0.78, respectively, for the three months ended September 30, 2016, compared to $0.63 and $0.61, respectively, for the corresponding period in 2015. Basic and diluted net income per common share were $2.27 and $2.23, respectively, for the nine months ended September 30, 2016, compared to $1.70 and $1.65, respectively, for the corresponding period in 2015. Core basic and diluted earnings per share were $1.77 and $1.72, respectively, for the nine months ended September 30, 2015. Return on average assets for the three and nine months ended September 30, 2016 was 1.39% and 1.43%, respectively, compared to 1.38% and 1.32%, respectively, for the corresponding periods in 2015. Core return on average assets for the nine months ended September 30, 2015 was 1.37%. Return on average common stockholders' equity for the three and nine months ended September 30, 2016 was 16.66% and 16.60% compared to 15.52% and 14.40%, respectively, for the corresponding periods in 2015. Core return on average common stockholders' equity for the nine months ended September 30, 2015 was 14.99%.

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 $6.0 million, or 14.2%, to $48.4 million for the three months ended September 30, 2016 compared to $42.4 million for the corresponding period in 2015, and increased $18.8 million, or 15.6%, to $139.5 million for the nine months ended September 30, 2016 compared to $120.7 million for the corresponding period in 2015. This increase was primarily attributable to growth in average earning assets, which increased $1.3 billion, or 28.9%, from the third quarter of 2015 to the third quarter of 2016, and $1.2 billion, or 28.6%, from the nine months ended September 30, 2015 to the same period in 2016. The taxable-equivalent yield on interest-earning assets decreased to 3.81% for the three months ended September 30, 2016 from 4.18% for the corresponding period in 2015, and decreased to 3.93% for the nine months ended September 30, 2016 from 4.21% for the corresponding period in 2015. The yield on loans for the three months ended September 30, 2016 was 4.48%, unchanged from the corresponding period in 2015, and was 4.48% compared to 4.49% for the nine months ended September 30, 2016 and September 30, 2015, respectively. Loan fees included in the yield calculation increased to $635,000 for the three months ended September 30, 2016 from $373,000 for the corresponding period in 2015, and increased to $1.6 million for the nine months ended September 30, 2016 from $883,000 for the corresponding period in 2015. The cost of total interest-bearing liabilities increased to 0.64% for the three months ended September 30, 2016 compared to 0.57% for the corresponding period in 2015, and increased to 0.63% for the nine months ended September 30, 2016 from 0.54% for the corresponding period in 2015. Increased balances in federal funds purchased from banks who are customers of our correspondent banking division contributed to this increase in cost of funds. We introduced a new 30-day term federal funds product which has a higher rate than the overnight rate we have historically offered. Net interest margin for the three months ended September 30, 2016 was 3.35% compared to 3.77% for the corresponding period in 2015, and 3.47% for the nine months ended September 30, 2016 compared to 3.82% for the corresponding period in 2015. Increases in liquid assets were the primary contributor to the decreases in net interest margin for the comparative three-month and nine-month periods.

The following tables show, for the three and nine months ended September 30, 2016 and September 30, 2015, the average balances of each principal category of our assets, liabilities and stockholders' equity, and an analysis of net interest revenue. The accompanying tables reflect changes in our net interest margin as a result of changes in the volume and rate of our interest-earning assets and interest-bearing liabilities for the same periods. Changes as a result of mix or the number of days in the periods have been allocated to the volume and rate changes in proportion to the relationship of the absolute dollar amounts of the change in each. The tables are presented on a taxable-equivalent basis where applicable:

Average Consolidated Balance Sheets and Net Interest Analysis
On a Fully Taxable-Equivalent Basis
For the Three Months Ended September 30, 2016 and 2015
(Dollar Amounts In Thousands)

	2016			2015		
	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)						
Taxable	$ 4,564,475	$ 51,358	4.48%	$ 3,915,778	$ 44,233	4.48%
Tax-exempt (2)	21,939	241	4.39	9,802	122	4.98
Total loans, net of unearned income	4,586,414	51,599	4.48	3,925,580	44,355	4.48
Mortgage loans held for sale	6,724	64	3.79	7,714	84	4.32
Investment securities:						
Taxable	215,250	1,107	2.06	189,939	1,041	2.19
Tax-exempt (2)	135,272	1,262	3.73	139,543	1,377	3.95
Total investment securities (3)	350,522	2,369	2.70	329,482	2,418	2.94
Federal funds sold	217,158	347	0.64	24,860	32	0.51
Restricted equity securities	5,658	57	4.01	4,954	52	4.16
Interest-bearing balances with banks	590,675	759	0.51	168,548	116	0.27
Total interest-earning assets	$ 5,757,151	$ 55,195	3.81%	$ 4,461,138	$ 47,057	4.18%
Non-interest-earning assets:						
Cash and due from banks	58,809			63,259		
Net fixed assets and equipment	25,000			18,961		
Allowance for loan losses, accrued interest and other assets	145,804			127,778		
Total assets	$ 5,986,764			4,671,136		
Liabilities and stockholders' equity:						
Interest-bearing liabilities:						
Interest-bearing demand deposits	$ 696,100	$ 644	0.37%	$ 593,550	$ 425	0.28%
Savings deposits	43,569	33	0.30	37,281	28	0.30
Money market accounts	2,471,829	3,387	0.55	1,817,997	2,158	0.47
Time deposits	519,653	1,294	0.99	485,137	1,208	0.99
Total interest-bearing deposits	3,731,151	5,358	0.57	2,933,965	3,819	0.52
Federal funds purchased	436,415	698	0.64	246,168	191	0.31
Other borrowings	55,410	717	5.15	50,509	660	5.18
Total interest-bearing liabilities	$ 4,222,976	$ 6,773	0.64%	$ 3,230,642	$ 4,670	0.57%
Non-interest-bearing liabilities:						
Non-interest-bearing demand deposits	1,250,139			988,756		
Other liabilities	14,376			23,714		
Stockholders' equity	494,248			424,113		
Unrealized gains on securities and derivatives	5,025			3,911		
Total liabilities and stockholders' equity	$ 5,986,764			$ 4,671,136		
Net interest income		$ 48,422			$ 42,387	
Net interest spread			3.17%			3.61%
Net interest margin			3.35%			3.77%

(1) Non-accrual loans are included in average loan balances in all periods. Loan fees of $635,000 and $373,000 are included in interest income in 2016 and 2015, respectively.
(2) Interest income and yields are presented on a fully taxable equivalent basis using a tax rate of 35%.
(3) Net unrealized gains of $7,730,000 and $6,016,000 are excluded from the yield calculation in 2016 and 2015, respectively.

	For the Three Months Ended September 30, 2016 Compared to 2015 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	$ 7,179	$ (54)	$ 7,125
Tax-exempt	135	(16)	119
Total loans, net of unearned income	7,314	(70)	7,244
Mortgages held for sale	(10)	(10)	(20)
Debt securities:	-	-	-
Taxable	130	(64)	66
Tax-exempt	(43)	(72)	(115)
Total debt securities	87	(136)	(49)
Federal funds sold	305	10	315
Restricted equity securities	7	(2)	5
Interest-bearing balances with banks	477	166	643
Total interest-earning assets	8,180	(42)	8,138
Interest-bearing liabilities:			
Interest-bearing demand deposits	81	138	219
Savings	5	-	5
Money market accounts	855	374	1,229
Time deposits	83	3	86
Total interest-bearing deposits	1,024	515	1,539
Federal funds purchased	213	294	507
Other borrowed funds	62	(5)	57
Total interest-bearing liabilities	1,299	804	2,103
Increase in net interest income	$ 6,881	$ (846)	$ 6,035

Our growth in loans and non-interest bearing deposits continues to drive favorable volume component change and overall change. However, we have experienced an unfavorable variance relating to the interest rate component because yields on loans have remained flat while rates paid on deposits have increased. Accordingly, the prolonged low interest rate environment has resulted in a compression of the net interest margin percentage. Maintenance of higher levels of liquidity has also decreased the net interest margin in the third quarter of 2016 as compared to the third quarter of 2015.

Average Consolidated Balance Sheets and Net Interest Analysis
On a Fully Taxable-Equivalent Basis
For the Nine Months Ended September 30, 2016 and 2015
(Dollar Amounts In Thousands)

	2016			2015		
	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)						
Taxable	$ 4,400,812	$ 147,453	4.48%	$ 3,714,830	$ 124,705	4.49%
Tax-exempt (2)	16,200	573	4.72	9,994	374	4.99
Total loans, net of unearned income	4,417,012	148,026	4.48	3,724,824	125,079	4.49
Mortgage loans held for sale	6,710	200	3.98	9,108	190	2.79
Investment securities:						
Taxable	215,029	3,614	2.24	193,743	3,272	2.25
Tax-exempt (2)	136,326	3,845	3.76	135,250	4,054	4.00
Total investment securities (3)	351,355	7,459	2.83	328,993	7,326	2.97
Federal funds sold	136,879	630	0.61	30,258	81	0.36
Restricted equity securities	5,427	154	3.79	4,745	132	3.72
Interest-bearing balances with banks	453,087	1,734	0.51	129,581	262	0.27
Total interest-earning assets	$ 5,370,470	$ 158,203	3.93%	$ 4,227,509	$ 133,070	4.21%
Non-interest-earning assets:						
Cash and due from banks	61,906			60,348		
Net fixed assets and equipment	23,095			16,396		
Allowance for loan losses, accrued interest and other assets	133,357			125,973		
Total assets	$ 5,588,828			$ 4,430,226		
Liabilities and stockholders' equity:						
Interest-bearing liabilities:						
Interest-bearing demand deposits	$ 684,348	$ 1,838	0.36%	$ 575,736	$ 1,187	0.28%
Savings deposits	42,062	95	0.30	37,040	79	0.29
Money market accounts	2,186,703	8,612	0.53	1,697,615	5,777	0.45
Time deposits	508,510	3,807	1.00	470,597	3,557	1.01
Total interest-bearing deposits	3,421,623	14,352	0.56	2,780,988	10,600	0.51
Federal funds purchased	460,844	2,210	0.64	264,112	583	0.30
Other borrowings	55,520	2,152	5.18	30,948	1,231	5.32
Total interest-bearing liabilities	$ 3,937,987	$ 18,714	0.63%	$ 3,076,048	$ 12,414	0.54%
Non-interest-bearing liabilities:						
Non-interest-bearing demand deposits	1,157,106			903,992		
Other liabilities	13,250			15,126		
Stockholders' equity	475,905			430,425		
Unrealized gains on securities and derivatives	4,580			4,635		
Total liabilities and stockholders' equity	$ 5,588,828			$ 4,430,226		
Net interest income		$ 139,489			$ 120,656	
Net interest spread			3.30%			3.67%
Net interest margin			3.47%			3.82%

(1) Non-accrual loans are included in average loan balances in all periods. Loan fees of $1,574,000 and $883,000 are included in interest income in 2016 and 2015, respectively.
(2) Interest income and yields are presented on a fully taxable equivalent basis using a tax rate of 35%.
(3) Net unrealized gains of $7,044,000 and $6,846,000 are excluded from the yield calculation in 2016 and 2015, respectively.

	For the Nine Months Ended September 30, 2016 Compared to 2015 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	$ 23,098	$ (350)	$ 22,748
Tax-exempt	221	(22)	199
Total loans, net of unearned income	23,319	(372)	22,947
Mortgages held for sale	(58)	68	10
Debt securities:			
Taxable	361	(19)	342
Tax-exempt	32	(241)	(209)
Total debt securities	393	(260)	133
Federal funds sold	456	93	549
Restricted equity securities	19	3	22
Interest-bearing balances with banks	1,085	387	1,472
Total interest-earning assets	25,214	(81)	25,133
Interest-bearing liabilities:			
Interest-bearing demand deposits	251	400	651
Savings	11	5	16
Money market accounts	1,839	996	2,835
Time deposits	287	(37)	250
Total interest-bearing deposits	2,388	1,364	3,752
Federal funds purchased	633	994	1,627
Other borrowed funds	955	(34)	921
Total interest-bearing liabilities	3,976	2,324	6,300
Increase in net interest income	$ 21,238	$ (2,405)	$ 18,833

Our growth in loans and non-interest bearing deposits continues to drive favorable volume component change and overall change. However, we have experienced an unfavorable variance relating to the interest rate component because yields on loans have remained relatively flat while rates paid on deposits have increased. Accordingly, the prolonged low interest rate environment has resulted in a compression of the net interest margin percentage. Maintenance of higher levels of liquidity has also decreased the net interest margin in the 2016 period compared to 2015.

Provision for Loan Losses

The provision for loan losses represents the amount determined by management to be necessary to maintain the allowance for loan losses at a level capable of absorbing inherent losses in the loan portfolio. Our management reviews the adequacy of the allowance for loan losses on a quarterly basis. The allowance for loan losses calculation is segregated into various segments that include classified loans, loans with specific allocations and pass rated loans. A pass rated loan is generally characterized by a very low to average risk of default and in which management perceives there is a minimal risk of loss. Loans are rated using a nine-point risk grade scale with loan officers having the primary responsibility for assigning risk grades and for the timely reporting of changes in the risk grades. Based on these processes, and the assigned risk grades, the criticized and classified loans in the portfolio are segregated into the following regulatory classifications: Special Mention, Substandard, Doubtful or Loss, with some general allocation of reserve based on these grades. At September 30, 2016, total loans rated Special Mention, Substandard, and Doubtful were $137.3 million, or 3.0% of total loans, compared to $117.0 million, or 2.8% of total loans, at December 31, 2015. Impaired loans are reviewed specifically and separately under FASB ASC 310-30-35, Subsequent Measurement of Impaired Loans, to determine the appropriate reserve allocation. Our management compares the investment in an impaired loan with the present value of expected future cash flow discounted at the loan’s effective interest rate, the loan’s observable market price or the fair value of the collateral, if the loan is collateral-dependent, to determine the specific reserve allowance. Reserve percentages assigned to non-impaired loans are based on historical charge-off experience adjusted for other risk factors. To evaluate the overall adequacy of the allowance to absorb losses inherent in our loan portfolio, our management considers historical loss experience based on volume and types of loans, trends in classifications, volume and trends in delinquencies and nonaccruals, economic conditions and other pertinent information. Based on future evaluations, additional provisions for loan losses may be necessary to maintain the allowance for loan losses at an appropriate level.

The provision for loan losses was $3.5 million for the three months ended September 30, 2016, an increase of $0.4 million from $3.1 million for the three months ended September 30, 2015, and was $9.3 million for the nine months ended September 30, 2016, a $0.2 million decrease, compared to $9.5 million for the nine months ended September 30, 2015. Nonperforming loans decreased to $6.7 million, or 0.14% of total loans, at September 30, 2016 from $7.8 million, or 0.18% of total loans, at December 31, 2015, and were also lower than $10.4 million, or 0.26% of total loans, at September 30, 2015. Impaired loans increased to $78.6 million, or 1.69% of total loans, at September 30, 2016, compared to $33.5 million, or 0.80% of total loans, at December 31, 2015. The allowance for loan losses totaled $48.9 million, or 1.05% of total loans, net of unearned income, at September 30, 2016, compared to $43.4 million, or 1.03% of loans, net of unearned income, at December 31, 2015.

Noninterest Income

Noninterest income totaled $4.8 million for the three months ended September 30, 2016, an increase of $1.1 million, or 28.2%, compared to the corresponding period in 2015, and totaled $12.1 million for the nine months ended September 30, 2016, an increase of $2.0 million, or 19.5%, compared to the corresponding period in 2015. Service charges on deposit accounts increased $0.1 million, or 6.9%, to $1.4 million for the three months ended September 30, 2016 compared to $1.3 million for the same period in 2015, and increased by $0.2 million to $4.0 million for the nine months ended September 30, 2016 compared to $3.8 million for the same period in 2015. Mortgage banking income increased $0.2 million, or 27.4%, to $1.1 million for the three months ended September 30, 2016 compared to $0.9 million for the same period in 2015, and increased $0.6 million, or 30.0%, to $2.7 million for the nine months ended September 30, 2016 compared to $2.1 million for the same period in 2015. This increase resulted from improved operations, translating to increased net gains on sales. Income from credit cards increased to $1.2 million for the three months ended September 30, 2016 from $0.6 million for the same period in 2015, and increased to $2.4 million for the nine months ended September 30, 2016 compared to $1.4 million for the same period in 2015. This increase in credit card income resulted from a 58% increase in the volume of spending and a 62% increase in the number of credit card accounts year-over-year.

Noninterest Expense

Noninterest expense totaled $20.2 million for the three months ended September 30, 2016, an increase of $1.9 million, or 10.5%, compared to $18.2 million for the same period in 2015, and totaled $59.0 million for the nine months ended September 30, 2016, an increase of $4.0 million, or 7.2%, compared to $55.0 million for the same period in 2015.

Details of expenses are as follows:

- Salary and benefit expense increased $0.4 million, or 3.4%, to $11.0 million for the three months ended September 30, 2016 from $10.6 million for the same period in 2015, and increased $2.7 million, or 9.1%, to $32.8 million for the nine months ended September 30, 2016 from $30.0 million for the same period in 2015. Eighteen new sales officers were added during the nine months ended September 30, 2016, with eight of these comprising our team in the Tampa Bay area of Florida, our newest region. We had 416 full-time equivalent employees at September 30, 2016 compared to 367 at September 30, 2015, a 13.4% increase.

- Occupancy expense increased $0.5 million, or 33.3%, to $2.1 million for the three months ended September 30, 2016 from $1.6 million for the corresponding period in 2015, and increased $1.2 million, or 25.4%, to $6.1 million from $4.9 million for the nine months ended September 30, 2016 compared to the corresponding period in 2015. New main offices were opened in our Mobile, Alabama, Charleston, South Carolina and Nashville, Tennessee regions during the first quarter of 2016. Also, we accelerated depreciation of leasehold improvements for our headquarters building in Birmingham, Alabama to coincide with the date we move into our new headquarters building, which we anticipate will be in the second half of 2017.

- Professional services expense increased $0.5 million, or 76.9%, to $1.2 million for the three months ended September 30, 2016 from $0.7 million for the corresponding period in 2015, and increased $1.0 million, or 53.6%, to $2.9 million from $1.9 million for the nine months ended September 30, 2016 compared to the corresponding period in 2015. This increase resulted from accruals for pending legal matters. We accrue for our estimated legal liability up to our insurance deductible for each applicable legal matter. We accrued $0.4 million during the third quarter of 2016 and $0.8 million during the nine months ended September 30, 2016 for such legal matters.

- Federal deposit insurance and other regulatory assessments increased $0.1 million to $0.8 million for the three months ended September 30, 2016 compared to the same period in 2015, and increased $0.4 million to $2.3 million for the nine months ended September 30, 2016 compared to the same period in 2015. This increase is driven by growth in risk weighted assets.

- Expenses on other real estate owned decreased from $0.4 million for the three months ended September 30, 2015 to $0.2 million for the three months ended September 30, 2016, and decreased from $0.9 million for the nine months ended September 30, 2015 to $0.7 million for the nine months ended September 30, 2016 with decreased volume.

- Merger expenses related to the acquisition of Metro in the first quarter of 2015 were $2.1 million.

- Other operating expenses increased $0.6 million to $5.0 million for the three months ended September 30, 2016 compared to the same period in 2015, and increased $0.9 million to $14.2 million for the nine months ended September 30, 2016 compared to the same period in 2015. Increases in Federal Reserve Bank service charges of $0.1 million and $0.3 million for the three and nine months ended September 30, 2016 when compared to the corresponding periods in 2015 are the result of increased clearing services for correspondent bank clients. Expenses relating to our growth in loans and expansion into new regions also contributed to the increased other operating expenses in the 2016 periods. Higher state sales taxes related to materials purchased for our new headquarter building in Birmingham, Alabama contributed to higher other operating expenses, but are overall expense neutral considering a credit we take against our Alabama corporate income tax. During the first quarter of 2015, we recognized $0.5 million in other expense as an initial funding of reserves for unfunded loan commitments. Without this one-time initial funding of reserves, other operating expenses would have increased by $1.4 million, or 11.1% from the nine months ended September 30, 2015 to the same period this year.

The following table presents our non-interest income and non-interest expense for the three and nine month periods ending September 30, 2016 compared to the same periods in 2015.

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2016	2015	$ change	% change	2016	2015	$ change	% change
Non-interest income:								
Service charges on deposit accounts	$ 1,367	$ 1,279	$ 88	6.9%	$ 3,980	$ 3,762	$ 218	5.8%
Mortgage banking	1,112	873	239	27.4%	2,681	2,062	619	30.0%
Securities gains	-	-	-	NM	(3)	29	(32)	NM
Increase in cash surrender value life insurance	770	683	87	12.7%	2,049	1,991	58	2.9%
Other operating income	1,542	903	639	70.8%	3,366	2,258	1,108	49.1%
Total non-interest income	$ 4,791	$ 3,738	$ 1,053	28.2%	$ 12,073	$ 10,102	$ 1,971	19.5%
Non-interest expense:								
Salaries and employee benefits	$ 10,958	$ 10,595	$ 363	3.4%	$ 32,758	$ 30,029	$ 2,729	9.1%
Equipment and occupancy expense	2,100	1,575	525	33.3%	6,108	4,870	1,238	25.4%
Professional services	1,182	668	514	76.9%	2,919	1,901	1,018	53.6%
FDIC and other regulatory assessments	775	681	94	13.8%	2,328	1,927	401	20.8%
OREO expense	178	400	(222)	(55.5)%	668	903	(235)	(26.0)%
Merger expense	-	-	-	NM	-	2,100	(2,100)	NM
Other operating expense	4,969	4,329	640	14.8%	14,175	13,264	911	6.9%
Total non-interest expense	$ 20,162	$ 18,248	$ 1,914	10.5%	$ 58,956	$ 54,994	$ 3,962	7.2%

Income Tax Expense

Income tax expense was $8.2 million for the three months ended September 30, 2016 compared to $8.0 million for the same period in 2015, and was $22.0 million for the nine months ended September 30, 2016 compared to $20.9 million for the same period in 2015. Our effective tax rate for the three and nine months ended September 30, 2016 was 28.11% and 26.95%, respectively, compared to 33.01% and 32.30%, respectively, for the corresponding periods in 2015. In the second quarter of 2016 we early adopted the amendments in Accounting Standards Update 2016-09. We recognized excess tax benefits as a credit to our income tax expense from the exercise and vesting of stock options and restricted stock of $1.2 million in the third quarter of 2016 and $4.7 million in the nine months ended September 30, 2016. Previously under generally accepted accounting principles, such credits were reflected within additional paid-in capital. 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 the 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 majority-owned subsidiaries of a trust holding company, which in turn is a 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.

GAAP Reconciliation and Management Explanation of Non-GAAP Financial Measures

As discussed in more detail in the section titled “Noninterest Expense,” we recorded expenses of $2.1 million for the first quarter of 2015 related to the acquisition of Metro and the merger of Metro Bank with and into the Bank, and recorded an expense of $0.5 million resulting from the initial funding of reserves for unfunded loan commitments as of March 31, 2015, consistent with guidance provided in the Federal Reserve Bank’s Inter-agency Policy Statement SR 06-17. The non-GAAP financial measures included in this quarterly report on Form 10-Q of our results for the nine months ended September 30, 2015 are “core net income,” “core net income available to common stockholders,” “core diluted earnings per share,” “core return on average assets” and “core return on average common stockholders’ equity.” Each of these five core financial measures excludes the impact of the merger expenses and the initial funding of the reserve for unfunded loan commitments. None of the other periods included in this quarterly report on Form 10-Q are affected by such non-routine expenses.

“Core net income” is defined as net income, adjusted by the net effect of the non-routine expense.

“Core net income available to common stockholders” is defined as net income available to common stockholders, adjusted by the net effect of the non-routine expense.

“Core diluted earnings per share” is defined as net income available to common stockholders, adjusted by the net effect of the non-routine expense, divided by weighted average diluted shares outstanding.

“Core return on average assets” is defined as net income, adjusted by the net effect of the non-routine expense, divided by average total assets.

“Core return of average common stockholders’ equity” is defined as net income, adjusted by the net effect of the non-routine expense, divided by average common stockholders’ equity.

We believe these non-GAAP financial measures provide useful information to management and investors that is supplementary to our financial condition, results of operations and cash flows computed in accordance with GAAP; however, we acknowledge that these non-GAAP financial measures have a number of limitations. As such, you should not view these disclosures as a substitute for results determined in accordance with GAAP, and they are not necessarily comparable to non-GAAP financial measures that other companies, including those in our industry, use. The following reconciliation table provides a more detailed analysis of the non-GAAP financial measures as of and for the nine month period ended September 30, 2015. Dollars are in thousands, except share and per share data.

	For the Nine Months Ended September 30, 2015
Return on average assets - GAAP	1.32%
Net income - GAAP	$ 43,790
Adjustments:	
Merger expenses - Metro Bancshares, Inc.	2,096
Initial reserve for unfunded loan commitments	500
Tax (benefit) of adjustments	(829)
Core net income - non-GAAP *	$ 45,557
Average assets - GAAP	$ 4,430,226
Core return on average assets - non-GAAP *	1.37%
Return on average common stockholders' equity - GAAP	14.40%
Net income available to common stockholders - GAAP	$ 43,534
Adjustments:	
Merger expenses - Metro Bancshares, Inc.	2,096
Initial reserve for unfunded loan commitments	500
Tax (benefit) of adjustments	(829)
Core net income available to common stockholders - non-GAAP *	$ 45,301
Average common stockholders' equity - GAAP	$ 404,177
Core return on average common stockholders' equity - non-GAAP *	14.99%
Basic earnings per common share - GAAP	$ 1.70
Weighted average common shares outstanding, basic - GAAP	25,636,690
Core basic earnings per common share - non-GAAP *	$ 1.77
Diluted earnings per common share - GAAP	$ 1.65
Weighted average common shares outstanding, diluted - GAAP	26,391,100
Core diluted earnings per common share - non-GAAP *	$ 1.72

** Core measures exclude non-routine expenses during the comparative periods presented in this quarterly report on Form 10-Q as more fully described in "GAAP Reconciliation and Management Explanation on Non-GAAP Financial Measures" above.*

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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

The asset-liability committee thoroughly analyzes the maturities of rate-sensitive assets and liabilities. This analysis measures the “gap”, which is defined as the difference between the dollar amount of rate-sensitive assets repricing during a period and the volume of rate-sensitive liabilities repricing during the same period. The gap is also expressed as the ratio of rate-sensitive assets divided by rate-sensitive liabilities. If the ratio is greater than one, the dollar value of assets exceeds the dollar value of liabilities; the balance sheet is “asset-sensitive.” Conversely, if the value of liabilities exceeds the value of assets, the ratio is less than one and the balance sheet is “liability-sensitive.” Our internal policy requires management to maintain the gap such that net interest margins will not change more than 10% if interest rates change 100 basis points or more than 15% if interest rates change 200 basis points. There have been no changes to our policies or procedures for analyzing our interest rate risk since December 31, 2015, and there are no significant changes to our sensitivity to changes in interest rates since December 31, 2015 as disclosed in our Annual Report on Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES

CEO and CFO Certification.

Appearing as exhibits to this report are Certifications of our Chief Executive Officer (“CEO”) and our Chief Financial Officer (“CFO”). The Certifications are required to be made by Rule 13a-14 or Rule 15d-14 under the Securities Exchange Act of 1934, 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 September 30, 2016. Based upon the Evaluation, our CEO and CFO have concluded that, as of September 30, 2016, 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. We are not 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, 2015, 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, 2015, which should be taken into consideration when reviewing the information contained in this report. There have been no material changes with regard to the risk factors previously disclosed in the Form 10-K. For other factors that may cause actual results to differ materially from those indicated in any forward-looking statement or projection contained in this report, see “Forward-Looking Statements” under Part 1, Item 2 above.

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

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit:	Description
10.1	First Amendment to the ServisFirst Bancshares, Inc. Amended and Restated 2009 Stock Incentive Plan.
10.2	First Amendment to the ServisFirst Bancshares, Inc. Amended and Restated 2005 Stock Incentive Plan.
10.3	Form of Nonqualified Stock Option Award Pursuant to the ServisFirst Bancshares, Inc. Amended and Restated 2009 Stock Incentive Plan.
10.4	Loan Agreement dated as of September 1, 2016 by and between ServisFirst Bancshares, Inc. and NexBank SSB (incorporated by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed September 2, 2016).
10.5	Revolving Promissory Note dated as of September 1, 2016 (incorporated by reference to Exhibit 10.2 to the Registrant’s Current Report on Form 8-K filed September 2, 2016).
10.6	Pledge and Security Agreement dated as of September 1, 2016 by and between ServisFirst Bancshares, Inc. and NexBank SSB (incorporated by reference to Exhibit 10.3 to the Registrant’s Current Report on Form 8-K filed September 2, 2016).
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.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document

SIGNATURES

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

SERVISFIRST BANCSHARES, INC.

Date: November 1, 2016	By	/s/ Thomas A. Broughton III Thomas A. Broughton III President and Chief Executive Officer
Date: November 1, 2016	By	/s/ William M. Foshee William M. Foshee Chief Financial Officer

Exhibit 10.1

**FIRST AMENDMENT TO THE
SERVISFIRST BANCSHARES, INC.
AMENDED AND RESTATED
2009 STOCK INCENTIVE PLAN**

WHEREAS, ServisFirst Bancshares, Inc. (the "Company") has established and currently maintains the Amended and Restated 2009 Stock Incentive Plan (the "Plan"); and

WHEREAS, the Company desires to amend the Plan to provide for the net settlement of Option exercises and to designate the treatment of shares of Common Stock withheld for payment of such exercise price or payment of any federal, state, local or employment taxes; and

WHEREAS, the Board of Directors of the Company has the authority to adopt the below amendments to the Plan; and

WHEREAS, the Board of Directors has approved of such amendments to the Plan.

NOW, THEREFORE, BE IT RESOLVED, that the following amendments shall be made to the Plan:

1. The Plan is hereby amended by adding the following sentence to the end of Section 2 of the Plan:

"Notwithstanding anything in this Section 2 to the contrary, the following shares of Common Stock shall not again be made available for issuance as Awards under the Plan: (a) shares of Common Stock withheld by the Company or tendered by Participants as full or partial payment to the Company upon exercise of an Option under this Plan; or (b) shares of Common Stock withheld by, or otherwise remitted to, the Company to satisfy a Participant's tax withholding obligations upon the exercise of Awards granted under the Plan or upon any other payment or issuance of shares of Common Stock under the Plan."

2. The Plan is hereby further amended by deleting Section 8(a) of the Plan in its entirety and replacing with the following language:

"(a) Payment. Upon the exercise of an Option, the amount due to the Company shall be paid in cash or by check payable to the order of the Company for the full purchase price of the shares of Common Stock for which such election is made. Except as otherwise determined by the Compensation Committee, in its sole discretion, before the Option is exercised, all or a part of the exercise price may be paid by the Participant (i) by delivery of unrestricted shares of the Company's Common Stock owned by the Participant and acceptable to the Compensation Committee or (ii) withholding (either actually or by attestation) of shares of Common Stock otherwise issuable under such Option, in each case having an aggregate Fair Market Value (valued at the date of exercise) that is equal to the amount of cash that would otherwise be required; provided, however, that withholding of shares of Common Stock pursuant to Section 8(a)(ii) hereof shall not be utilized in the exercise of Incentive Stock Options."

3. The Plan is hereby further amended by deleting the last sentence of Section 8(b) of the Plan and replacing with the following language:

"At the election of the Participant, and subject to such rules and limitations as may be established by the Compensation Committee from time to time, such withholding obligations may be satisfied (i) through the surrender of unrestricted shares of the Company's Common Stock which the Participant already owns, or to which the Participant is otherwise entitled under the Plan, or (ii) by directing the Company to withhold a portion of the shares of Common Stock that otherwise would be issued to a Participant under such Award, in each case having a Fair Market Value equal to the amount of tax required to be withheld; provided, however, that the Compensation Committee may, in its sole discretion, disapprove and give no effect to any such withholding election. For this purpose, Fair Market Value will be determined as of the date on which the amount of tax to be withheld is determined (and the Company may cause any fractional share amount to be settled in cash)."

4. This First Amendment to the Plan was approved by the Board of Directors on June 20, 2016.

5. Except as expressly modified and amended herein, all the terms and provisions of the Plan shall remain unchanged.

[Signature page follows]

IN WITNESS WHEREOF, this Amendment has been executed on and is effective as of June 20, 2016.

SERVISFIRST BANCSHARES, INC.

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

Exhibit 10.2

FIRST AMENDMENT TO THE
SERVISFIRST BANCSHARES, INC.
AMENDED AND RESTATED
2005 STOCK INCENTIVE PLAN

WHEREAS, ServisFirst Bancshares, Inc. (the "Company") has established and currently maintains the Amended and Restated 2005 Stock Incentive Plan (the "Plan"); and

WHEREAS, the Company desires to amend the Plan to provide for the net settlement of Option exercises; and

WHEREAS, the Board of Directors of the Company has the authority to adopt the below amendments to the Plan; and

WHEREAS, the Board of Directors has approved of such amendments to the Plan.

NOW, THEREFORE, BE IT RESOLVED, that the following amendment shall be made to the Plan:

1. The Plan is hereby amended by deleting Section 3.2(c) of the Plan in its entirety and replacing with the following language:

"(c) Payment. Upon the exercise of an Option, the amount due to the Company shall be paid in cash or by check payable to the order of the Company for the full purchase price of the shares of Stock for which such election is made. Except as otherwise determined by the Committee, in its sole discretion, before the Option is exercised, all or a part of the exercise price may be paid by the Participant (i) by delivery of unrestricted shares of the Company's Stock owned by the Participant and acceptable to the Committee or (ii) withholding (either actually or by attestation) of shares of Stock otherwise issuable under such Option having an aggregate Fair Market Value (valued at the date of exercise) that is equal to the amount of cash that would otherwise be required; provided, however, that withholding of shares of Stock pursuant to Section 3(c)(ii) hereof shall not be utilized in the exercise of Incentive Stock Options."

2. This First Amendment to the Plan was approved by the Board of Directors on June 20, 2016.

3. Except as expressly modified and amended herein, all the terms and provisions of the Plan shall remain unchanged.

[Signature page follows]

IN WITNESS WHEREOF, this Amendment has been executed on and is effective as of June 20, 2016.

SERVISFIRST BANCSHARES, INC.

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

Exhibit 10.3

NONQUALIFIED STOCK OPTION AWARD
PURSUANT TO THE SERVISFIRST BANCSHARES, INC.
AMENDED AND RESTATED 2009 STOCK INCENTIVE PLAN

THIS AWARD (the "Award") is made as of the Grant Date by ServisFirst Bancshares, Inc., a Delaware corporation, (the "Company") to the Optionee designated below pursuant to the ServisFirst Bancshares, Inc. Amended and Restated 2009 Stock Incentive Plan (the "Plan").

Upon and subject to the restrictions, terms and conditions set forth in the Plan, the Company hereby awards as of the Grant Date to Optionee a Nonqualified Stock Option (the "Option"), as described below, to purchase the Option shares. The Option is governed by the terms of this Award and the Plan.

A. Optionee: ___________________.

B. Grant Date:___________________.

C. Type of Option: Nonqualified Stock Option.

D. Option Shares: All or any part of__________ shares of the Company's $.001 par value common stock (the "Common Stock"), subject to adjustment as provided in the Plan.

E. Exercise Price: $ _______ per share, subject to adjustment as provided in the Plan. The Exercise Price is, in the judgment of the Committee, not less than 100% of the Fair Market Value of a share of Common Stock on the Grant Date.

F. Vesting Schedule: The Option shares shall become vested in accordance with Schedule 1 hereto.

G. Acceleration of Vesting: Unvested Options may become vested before the time at which such Options would normally become vested by the passage of time – that is, the vesting may accelerate. The instances in which Option shares accelerate are detailed in Schedule 1 hereto.

H. Option Period: The Option may be exercised only during the Option Period that commences on the Grant Date and ends, subject to earlier termination as provided in the Plan, on the tenth (10^{th}) anniversary of the Grant Date. *Note that other limitations to exercising the Option, as described in the Plan, may apply.*

I. Exercise: Subject to the provisions of the Plan, the Option may be exercised with respect to all or a portion of the vested Option shares at any time during the Option Period by delivery to the Company, at its principal place of business, of:

a. a written notice of exercise in substantially the form attached hereto as Exhibit 1, which shall be actually delivered to the Company no earlier than thirty (30) days and no later than ten (10) days prior to the date upon which the Optionee desires to exercise all or any portion of the Option;

b. payment to the Company of the Exercise Price multiplied by the number of Option shares being purchased (the "Purchase Price"); and

c. if not delivered previously, a written Notice of Withholding Election in substantially the form attached hereto as Exhibit 2.

J. Capitalized Terms. Capitalized terms not otherwise defined in this Award will have the meaning set forth in the Plan.

[Signature Page Follows]

IN WITNESS WHEREOF, the Company has executed and sealed this Award as of the Grant Date set forth above.

SERVISFIRST BANCSHARES, INC.		OPTIONEE	
By:	____________________	Signature:	____________________
Its:	____________________	Name:	____________________

EXHIBIT 1
NOTICE OF EXERCISE OF
STOCK OPTION TO PURCHASE
COMMON STOCK OF
SERVISFIRST BANCSHARES, INC.

Name: ______________________________
Address: ______________________________
____
Date: ______________________________

ServisFirst Bancshares, Inc.
____
____
Attn: Chief Executive Officer

Re: Exercise of Nonqualified Stock Option

Gentlemen:

Subject to acceptance hereof by ServisFirst Bancshares, Inc., a Delaware corporation, (the "Company") and pursuant to the provisions of the ServisFirst Bancshares, Inc. Amended and Restated 2009 Stock Incentive Plan (the "Plan"), I hereby give notice of my election to exercise options granted to me to purchase ___________ shares of Common Stock of the Company under the Nonqualified Stock Option Award (the "Award") dated as of _________________. The purchase shall take place as of _________________ (the "Exercise Date").

On or before the Exercise Date, I will pay the applicable Purchase Price as follows:

☐ by delivery of cash or a certified check in the amount of $___________ for the full Purchase Price payable to the order of ServisFirst Bancshares, Inc.

☐ by having the Company withhold shares of the Common Stock of the Company issuable pursuant to the exercise having an aggregate Fair Market Value (valued at the date of exercise) that is equal to the Purchase Price.

☐ by delivery of shares of the Common Stock of the Company owned by me and acceptable to the Committee having an aggregate Fair Market Value (valued at the date of exercise) that is equal to the Purchase Price.

If applicable, the Company shall withhold from the shares issuable pursuant to the exercise a whole number of shares having an aggregate Fair Market Value equal to or in excess of the Purchase Price. Any fractional share amounts will be settled in cash.

The required federal, state and local income tax withholding obligations, if any, on the exercise of the Award shall also be paid on or before the Exercise Date in cash or with previously owned shares of Common Stock, as provided in the Award, or in the manner provided in the Withholding Election previously tendered or to be tendered to the Company no later than the Exercise Date.

As soon as the stock certificate is registered in my name, please deliver it to me at the above address.

Very truly yours,

____
Signature

Number of Shares Exercised: ____________________

Number of Shares Remaining: ____________________

Date: ____________________

AGREED TO AND ACCEPTED:

SERVISFIRST BANCSHARES, INC.

By: ______________________________

Name: ______________________________

Its: ______________________________

EXHIBIT 2
NOTICE OF WITHHOLDING ELECTION
SERVISFIRST BANCSHARES, INC.

Name: ______________________
Address: ______________________
____
Date: ______________________

ServisFirst Bancshares, Inc.
____
____
Attn: Chief Executive Officer

RE: Withholding Election

This election relates to the Option identified in Paragraph 3 below. I hereby certify that:

1. My correct name and social security number and my current address are set forth at the end of this document.

2. I am (check one, whichever is applicable).

☐ the original recipient of the Option.

☐ the legal representative of the estate of the original recipient of the Option.

3. The Option to which this election relates was issued under the ServisFirst Bancshares, Inc. Amended and Restated 2009 Stock Incentive Plan (the "Plan") in the name of ______________________ for the purchase of a total of _________ shares of Common Stock of the Company. This election relates to shares of Common Stock issuable upon exercise of the Option, provided that the numbers set forth above shall be deemed changed as appropriate to reflect the applicable Plan provisions.

4. In connection with any exercise of the Option with respect to the Common Stock, I hereby elect:

☐ to remit to the Company an amount, payable in cash or by check, sufficient to satisfy federal, state, and local, if any, taxes arising from the exercise.

☐ to have certain of the shares issuable pursuant to the exercise withheld by the Company for the purpose of having the value of the shares applied to pay federal, state, and local, if any, taxes arising from the exercise.

☐ to tender shares held by me for a period of at least six (6) months prior to the exercise of the Option for the purpose of having the value of the shares applied to pay such taxes.

5. The shares to be withheld or tendered, as applicable, shall have, as of the Tax Date, a Fair Market Value equal to the statutory tax withholding requirement under federal, state, and local law in connection with the exercise.

6. This Withholding Election is made no later than the Tax Date and is otherwise timely made pursuant to the Plan.

7. I understand that this Withholding Election may not be revised, amended or revoked by me.

8. I further understand that, if applicable, the Company shall withhold from the shares a whole number of shares having a value sufficient to pay federal, state and local, if any, taxes arising from the exercise.

9. The Plan has been made available to me by the Company. I have read and understand the Plan and I have no reason to believe that any of the conditions to the making of this Withholding Election have not been met.

10. Capitalized terms used in this Notice of Withholding Election without definition shall have the meanings given to them in the Plan.

____
Signature

____
Name (Printed)

____
Social Security Number

Address: ________________________________

____

____

Date: ________________________________

SCHEDULE 1
VESTING SCHEDULE
NONQUALIFIED STOCK OPTION AWARD
ISSUED PURSUANT TO THE
SERVISFIRST BANCSHARES, INC.
AMENDED AND RESTATED 2009 STOCK INCENTIVE PLAN

A. The Option shares shall become vested Option shares following completion of the years of service as an employee of the Company or any Subsidiary as indicated in the schedule below.

Number of Option Shares which are Vested Shares	Years of Service after the Grant Date

B. Notwithstanding Part A, accelerated vesting may apply in the following circumstances:

Event	Condition for Acceleration	Effective Date of Acceleration
Death	If you die.	Death
Disability	If your employment is terminated due to your Disability as defined in the Plan.	Your termination date
Change in Control	A Change in Control, as defined by the Plan, occurs.	The date of the Change in Control

C. For purposes of the Vesting Schedule, Optionee shall be granted a year of service for each twelve-consecutive-month period following the Grant Date and during which Optionee continues, at all times, as an employee of the Company or any Subsidiary.

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 person’s 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: November 1, 2016

/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: November 1, 2016

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

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

Exhibit 32.01

Section 906 Certification of the CEO

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

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of ServisFirst Bancshares, Inc. (the "Company") certifies that, to his knowledge, the Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2016, 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: November 1, 2016

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

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

Exhibit 32.02

Section 906 Certification of the CFO

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

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of ServisFirst Bancshares, Inc. (the "Company") certifies that, to his knowledge, the Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2016, 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: November 1, 2016

/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.