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, 2020

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _______to_______

Commission file number 001-36452

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

Delaware	**26-0734029**
(State or Other Jurisdiction of Incorporation or Organization)	*(I.R.S. Employer Identification No.)*

2500 Woodcrest Place, Birmingham, Alabama 35209
(Address of Principal Executive Offices) (Zip Code)

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

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

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common stock, par value $.001 per share	SFBS	The NASDAQ Global Select Market

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).
Yes ☒ No ☐

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

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

If an emerging growth company, indicate by check mark if registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act ☐

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

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

Class	Outstanding as of October 23, 2020
Common stock, $.001 par value	53,915,245

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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, 2020 (Unaudited)	December 31, 2019 (1)
ASSETS		
Cash and due from banks	$ 70,472	$ 78,618
Interest-bearing balances due from depository institutions	1,551,597	451,509
Federal funds sold	1,302	100,473
Cash and cash equivalents	1,623,371	630,600
Available for sale debt securities, at fair value	913,049	759,399
Held to maturity debt securities (fair value of $250 at September 30, 2020 and December 31, 2019)	250	250
Mortgage loans held for sale	21,472	6,312
Loans	8,508,554	7,261,451
Less allowance for loan losses	(92,440)	(76,584)
Loans, net	8,416,114	7,184,867
Premises and equipment, net	55,273	56,496
Accrued interest and dividends receivable	36,607	26,262
Deferred tax assets	26,764	25,566
Other real estate owned and repossessed assets	6,976	8,178
Bank owned life insurance contracts	254,045	209,395
Goodwill and other identifiable intangible assets	13,976	14,179
Other assets	26,977	26,149
Total assets	$ 11,394,874	$ 8,947,653
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Noninterest-bearing	$ 2,762,814	$ 1,749,879
Interest-bearing	6,910,969	5,780,554
Total deposits	9,673,783	7,530,433
Federal funds purchased	669,350	470,749
Other borrowings	64,719	64,703
Accrued interest payable	11,915	11,934
Other liabilities	25,518	27,152
Total liabilities	10,445,285	8,104,971
Stockholders' equity:		
Preferred stock, par value $0.001 per share; 1,000,000 authorized and undesignated at September 30, 2020 and December 31, 2019	-	-
Common stock, par value $0.001 per share; 100,000,000 shares authorized; 53,915,245 shares issued and outstanding at September 30, 2020, and 53,623,740 shares issued and outstanding at December 31, 2019	54	54
Additional paid-in capital	223,280	219,766
Retained earnings	706,924	616,611
Accumulated other comprehensive income	18,831	5,749
Total stockholders' equity attributable to ServisFirst Bancshares, Inc.	949,089	842,180
Noncontrolling interest	500	502
Total stockholders' equity	949,589	842,682
Total liabilities and stockholders' equity	$ 11,394,874	$ 8,947,653

(1) Derived from audited financial statements.

See Notes to Consolidated Financial Statements.

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

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Interest income:				
Interest and fees on loans	$ 89,564	$ 90,767	$ 268,332	$ 264,901
Taxable securities	5,858	4,367	16,104	12,306
Nontaxable securities	166	316	610	1,155
Federal funds sold	16	1,768	327	4,985
Other interest and dividends	506	3,912	2,584	9,269
Total interest income	96,110	101,130	287,957	292,616
Interest expense:				
Deposits	9,876	24,787	37,377	71,172
Borrowed funds	1,152	3,338	4,624	9,576
Total interest expense	11,028	28,125	42,001	80,748
Net interest income	85,082	73,005	245,956	211,868
Provision for loan losses	12,284	6,985	36,151	16,754
Net interest income after provision for loan losses	72,798	66,020	209,805	195,114
Noninterest income:				
Service charges on deposit accounts	1,818	1,735	5,557	5,223
Mortgage banking	2,519	1,333	5,697	2,995
Credit card income	1,840	1,868	5,003	5,185
Securities gains	-	34	-	28
Increase in cash surrender value life insurance	1,733	787	4,650	2,327
Other operating income	262	453	972	1,172
Total noninterest income	8,172	6,210	21,879	16,930
Noninterest expenses:				
Salaries and employee benefits	14,994	15,499	46,444	44,103
Equipment and occupancy expense	2,556	2,387	7,390	6,933
Third party processing and other services	3,281	2,923	10,360	8,058
Professional services	955	887	2,994	3,072
FDIC and other regulatory assessments (credits)	1,061	(296)	2,988	1,804
OREO expense	119	78	2,023	312
Other operating expenses	3,607	3,683	11,110	12,227
Total noninterest expenses	26,573	25,161	83,309	76,509
Income before income taxes	54,397	47,069	148,375	135,535
Provision for income taxes	11,035	9,506	29,787	27,329
Net income	43,362	37,563	118,588	108,206
Preferred stock dividends	-	-	31	31
Net income available to common stockholders	$ 43,362	$ 37,563	$ 118,557	$ 108,175
Basic earnings per common share	$ 0.80	$ 0.70	$ 2.20	$ 2.02
Diluted earnings per common share	$ 0.80	$ 0.69	$ 2.19	$ 2.00

See Notes to Consolidated Financial Statements.

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

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Net income	$ 43,362	$ 37,563	$ 118,588	$ 108,206
Other comprehensive income, net of tax:				
Unrealized net holding gains arising during period from securities available for sale, net of tax of $58 and $3,477 for the three and nine months ended September 30, 2020, respectively, and net of tax of $424 and $2,791 for the three and nine months ended September 30, 2019, respectively	220	1,434	13,082	10,497
Reclassification adjustment for net gains on sale of securities, net of tax of $7 and $5 for the three and nine months ended September 30, 2019, respectively	-	27	-	23
Other comprehensive income, net of tax	220	1,461	13,082	10,520
Comprehensive income	$ 43,582	$ 39,024	$ 131,670	$ 118,726

See Notes to Consolidated Financial Statements.

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

	Three Months Ended September 30,							
	Common Shares	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling interest	Total Stockholders' Equity
Balance, July 1, 2019	53,526,882	$ -	$ 54	$ 218,658	$ 555,425	$ 4,318	$ 502	$ 778,957
Common dividends declared, $0.15 per share	-	-	-	-	(8,020)	-	-	(8,020)
Issue restricted shares pursuant to stock incentives, net of forfeitures	10,500	-	-	-	-	-	-	-
Issue shares of common stock upon exercise of stock options	41,731	-	-	571	-	-	-	571
9,069 shares of common stock withheld in net settlement upon exercise of stock options	-	-	-	(289)	-	-	-	(289)
Stock-based compensation expense	-	-	-	294	-	-	-	294
Other comprehensive income, net of tax	-	-	-	-	-	1,461	-	1,461
Net income	-	-	-	-	37,563	-	-	37,563
Balance, September 30, 2019	53,579,113	$ -	$ 54	$ 219,234	$ 584,968	$ 5,779	$ 502	$ 810,537
Balance, July 1, 2020	53,874,276	$ -	$ 54	$ 222,437	$ 672,984	$ 18,611	$ 502	$ 914,588
Common dividends declared, $0.175 per share	-	-	-	-	(9,422)	-	-	(9,422)
Issue restricted shares pursuant to stock incentives, net of forfeitures	3,500	-	-	-	-	-	-	-
Issue shares of common stock upon exercise of stock options	37,469	-	-	728	-	-	-	728
5,831 shares of common stock withheld in net settlement upon exercise of stock options	-	-	-	(225)	-	-	-	(225)
Stock-based compensation expense	-	-	-	340	-	-	-	340
Other comprehensive loss, net of tax	-	-	-	-	-	220	-	220
Net income	-	-	-	-	43,362	-	(2)	43,360
Balance, September 30, 2020	53,915,245	$ -	$ 54	$ 223,280	$ 706,924	$ 18,831	$ 500	$ 949,589

	Nine Months Ended September 30,							
	Common Shares	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling interest	Total Stockholders' Equity
Balance, January 1, 2019	53,375,195	$ -	$ 53	$ 218,521	$ 500,868	$ (4,741)	$ 502	$ 715,203
Common dividends paid, $0.30 per share	-	-	-	-	(16,038)	-	-	(16,038)
Common dividends declared, $0.15 per share	-	-	-	-	(8,037)	-	-	(8,037)
Preferred dividends paid	-	-	-	-	(31)	-	-	(31)
Issue restricted shares pursuant to stock incentives, net of forfeitures	18,874	-	-	-	-	-	-	-
Issue shares of common stock upon exercise of stock options	185,044	-	1	1,674	-	-	-	1,675
54,256 shares of common stock withheld in net settlement upon exercise of stock options	-	-	-	(1,742)	-	-	-	(1,742)
Stock-based compensation expense	-	-	-	781	-	-	-	781
Other comprehensive income, net of tax	-	-	-	-	-	10,520	-	10,520

Net income	-	-	-	-	108,206	-	-	108,206
Balance, September 30, 2019	53,579,113	$ -	$ 54	$ 219,234	$ 584,968	$ 5,779	$ 502	$ 810,537
Balance, January 1, 2020	53,623,740	$ -	$ 54	$ 219,766	$ 616,611	$ 5,749	$ 502	$ 842,682
Common dividends paid, $0.35 per share	-	-	-	-	(18,822)	-	-	(18,822)
Common dividends declared, $0.175 per share	-	-	-	-	(9,422)	-	-	(9,422)
Preferred dividends paid	-	-	-	-	(31)	-	-	(31)
Issue restricted shares pursuant to stock incentives, net of forfeitures	29,067	-	-	-	-	-	-	-
Issue shares of common stock upon exercise of stock options	262,438	-	-	3,172	-	-	-	3,172
16,862 shares of common stock withheld in net settlement upon exercise of stock options	-	-	-	(627)	-	-	-	(627)
Stock-based compensation expense	-	-	-	969	-	-	-	969
Other comprehensive loss, net of tax	-	-	-	-	-	13,082	-	13,082
Net income	-	-	-	-	118,588	-	(2)	118,586
Balance, September 30, 2020	53,915,245	$ -	$ 54	$ 223,280	$ 706,924	$ 18,831	$ 500	$ 949,589

See Notes to Consolidated Financial Statements.

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

	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
OPERATING ACTIVITIES		
Net income	$ 118,588	$ 108,206
Adjustments to reconcile net income to net cash provided by		
Deferred tax (benefit) expense	(4,675)	2,851
Provision for loan losses	36,151	16,754
Depreciation	2,788	2,774
Accretion on acquired loans	(100)	(91)
Amortization of core deposit intangible	203	203
Net amortization of debt securities available for sale	3,834	2,040
Increase in accrued interest and dividends receivable	(10,345)	(1,353)
Stock-based compensation expense	969	781
(Decrease) increase in accrued interest payable	(19)	1,095
Proceeds from sale of mortgage loans held for sale	194,558	90,188
Originations of mortgage loans held for sale	(204,021)	(95,764)
Gain on sale of mortgage loans held for sale	(5,697)	(2,995)
Net gain on sale of debt securities available for sale	-	(28)
Net gain on sale of other real estate owned and repossessed assets	(8)	(6)
Write down of other real estate owned and repossessed assets	1,836	288
Operating loss (income) of tax credit partnerships	4	(16)
Increase in cash surrender value of life insurance contracts	(4,650)	(2,327)
Net change in other assets, liabilities, and other operating activities	(11,916)	(19,766)
Net cash provided by operating activities	117,500	102,834
INVESTMENT ACTIVITIES		
Purchase of debt securities available for sale	(288,453)	(186,240)
Proceeds from maturities, calls and paydowns of debt securities available for sale	148,206	100,687
Purchase of debt securities held to maturity	-	(250)
Investment in tax credit partnership and SBIC	(636)	-
Increase in loans	(1,269,704)	(505,224)
Purchase of premises and equipment	(1,565)	(1,522)
Purchase of bank owned life insurance contracts	(40,000)	(20,000)
Proceeds from sale of other real estate owned and repossessed assets	1,780	727
Net cash used in investing activities	(1,450,372)	(611,822)
FINANCING ACTIVITIES		
Net increase in non-interest-bearing deposits	1,012,935	121,331
Net increase in interest-bearing deposits	1,130,415	687,119
Net increase in federal funds purchased	198,601	81,506
Proceeds from exercise of stock options	3,172	1,675
Taxes paid in net settlement of tax obligation upon exercise of stock options	(627)	(1,742)
Dividends paid on common stock	(18,822)	(16,038)
Dividends paid on preferred stock	(31)	(31)
Net cash provided by financing activities	2,325,643	873,820
Net increase in cash and cash equivalents	992,771	364,832
Cash and cash equivalents at beginning of period	630,600	681,895
Cash and cash equivalents at end of period	$ 1,623,371	$ 1,046,727
SUPPLEMENTAL DISCLOSURE		
Cash paid for:		
Interest	$ 42,020	$ 76,653

Income taxes		38,593		34,464
Income tax refund		(47)		(86)
NONCASH TRANSACTIONS				
Other real estate acquired in settlement of loans	$	2,406	$	1,177
Dividends declared		9,422		8,037

See Notes to Consolidated Financial Statements.

SERVISFIRST BANCSHARES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2020
(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 recurring nature. The consolidated results of operations are not necessarily indicative of the consolidated results of operations which ServisFirst Bancshares, Inc. (the "Company") and its consolidated subsidiaries, including ServisFirst Bank (the "Bank"), may achieve for future interim periods or the entire year. For further information, refer to the consolidated financial statements and footnotes included in the Company's Form 10-K for the year ended December 31, 2019.

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

Allowance for Loan Losses

The Company was prepared to fully adopt Accounting Standards Update ("ASU") 2016-13, *Financial Instruments – Credit Losses (Topic 326)* as of January 1, 2020 prior to the COVID-19 outbreak and subsequent passage of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") on March 27, 2020, which provided financial institutions with the option to delay adoption of ASU 2016-13. The Company has decided to delay its adoption until the earlier of the date on which the national emergency concerning COVID-19 terminates or December 31, 2020, with an effective retrospective implementation date of January 1, 2020.

The allowance for loan losses as of September 30, 2020 is determined under the Company's incurred loss model. Qualitative adjustments were made to the amount of the allowance to take into effect management's estimates of the COVID-19 pandemic's impact on the local and regional markets in which the Company operates. Further discussion of the allowance for loan losses is included in Note 5 – Loans.

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,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(In Thousands, Except Shares and Per Share Data)			
Earnings per common share				
Weighted average common shares outstanding	53,893,753	53,544,747	53,817,928	53,508,710
Net income available to common stockholders	$ 43,362	$ 37,563	$ 118,557	$ 108,175
Basic earnings per common share	$ 0.80	$ 0.70	$ 2.20	$ 2.02
Weighted average common shares outstanding	53,893,753	53,544,747	53,817,928	53,508,710
Dilutive effects of assumed conversions and exercise of stock options and warrants	339,212	551,621	380,494	578,700
Weighted average common and dilutive potential common shares outstanding	54,232,965	54,096,368	54,198,422	54,087,410
Net income available to common stockholders	$ 43,362	$ 37,563	$ 118,557	$ 108,175
Diluted earnings per common share	$ 0.80	$ 0.69	$ 2.19	$ 2.00

NOTE 4 - SECURITIES

The amortized cost and fair value of available-for-sale and held-to-maturity securities at September 30, 2020 and December 31, 2019 are summarized as follows:

	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Market Value
September 30, 2020	(In Thousands)			
Securities Available for Sale				
U.S. Treasury securities	$ 18,990	$ 436	$ -	$ 19,426
Government agencies	15,222	299	-	15,521
Mortgage-backed securities	500,251	17,879	(68)	518,062
State and municipal securities	36,922	486	-	37,408
Corporate debt	317,887	5,638	(893)	322,632
Total	$ 889,272	$ 24,738	$ (961)	$ 913,049
Securities Held to Maturity				
State and municipal securities	250	-	-	250

Total	$	250	$	-	$	-	$	250
December 31, 2019								
Securities Available for Sale								
U.S. Treasury securities	$	48,923	$	291	$	(4)	$	49,210
Government agencies		18,245		143		(2)		18,386
Mortgage-backed securities		470,513		4,859		(1,318)		474,054
State and municipal securities		56,951		335		(14)		57,272
Corporate debt		157,549		3,098		(170)		160,477
Total	$	752,181	$	8,726	$	(1,508)	$	759,399
Securities Held to Maturity								
State and municipal securities		250		-		-		250
Total	$	250	$	-	$	-	$	250

The amortized cost and fair value of debt securities as ofSeptember 30, 2020 and December 31, 2019 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, 2020				December 31, 2019			
	Amortized Cost		Fair Value		Amortized Cost		Fair Value	
	(In thousands)							
Debt securities available for sale								
Due within one year	$	22,531	$	22,627	$	58,722	$	58,975
Due from one to five years		78,998		81,105		90,034		91,005
Due from five to ten years		191,528		194,527		129,501		131,914
Due after ten years		95,964		96,728		3,411		3,451
Mortgage-backed securities		500,251		518,062		470,513		474,054
	$	889,272	$	913,049	$	752,181	$	759,399
Debt securities held to maturity								
Due from one to five years	$	250	$	250	$	250	$	250
	$	250	$	250	$	250	$	250

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

The carrying value of debt securities pledged to secure public funds on deposit and for other purposes as required by law as ofSeptember 30, 2020 and December 31, 2019 was $431.0 million and $389.9 million, respectively.

The following table identifies, as of September 30, 2020 and December 31, 2019, 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 for12 or more months. At September 30, 2020, none of the Company's 641 debt securities had been in an unrealized loss position for 12 or more months.

	Less Than Twelve Months				Twelve Months or More				Total			
	Gross Unrealized Losses		Fair Value		Gross Unrealized Losses		Fair Value		Gross Unrealized Losses		Fair Value	
	(In Thousands)											
September 30, 2020												
U.S. Treasury securities	$	-	$	-	$	-	$	-	$	-	$	-
Government agency securities		-		-		-		-		-		-
Mortgage-backed securities		(68)		34,639		-		-		(68)		34,639
State and municipal securities (1)		-		-		-		-		-		-
Corporate debt		(893)		87,212		-		-		(893)		87,212
Total	$	(961)	$	121,851	$	-	$	-	$	(961)	$	121,851
December 31, 2019												
U.S. Treasury securities	$	(4)	$	3,012	$	-	$	-	$	(4)	$	3,012
Government agency securities		(2)		266		-		-		(2)		266
Mortgage-backed securities		(1,206)		153,330		(112)		24,911		(1,318)		178,241
State and municipal securities		(4)		1,900		(10)		2,647		(14)		4,547
Corporate debt		(170)		19,981		-		-		(170)		19,981
Total	$	(1,386)	$	178,489	$	(122)	$	27,558	$	(1,508)	$	206,047

NOTE 5 – LOANS

The following table details the Company's loans atSeptember 30, 2020 and December 31, 2019:

	September 30, 2020		December 31, 2019	
	(Dollars In Thousands)			
Commercial, financial and agricultural	$	3,466,189	$	2,696,210
Real estate - construction		530,919		521,392
Real estate - mortgage:				
Owner-occupied commercial		1,725,222		1,587,478
1-4 family mortgage		671,841		644,188
Other mortgage		2,056,549		1,747,394
Subtotal: Real estate - mortgage		4,453,612		3,979,060
Consumer		57,834		64,789
Total Loans		8,508,554		7,261,451
Less: Allowance for loan losses		(92,440)		(76,584)
Net Loans	$	8,416,114	$	7,184,867

Commercial, financial and agricultural	40.74%	37.13%
Real estate - construction	6.24%	7.18%
Real estate - mortgage:		
Owner-occupied commercial	20.27%	21.86%
1-4 family mortgage	7.90%	8.87%
Other mortgage	24.17%	24.07%
Subtotal: Real estate - mortgage	52.34%	54.80%
Consumer	0.68%	0.89%
Total Loans	100.00%	100.00%

In light of the U.S. and global economic crisis brought about by the COVID-19 pandemic, the Company has prioritized assisting its clients through this troubled time. The CARES Act provides for Paycheck Protection Plan ("PPP") loans to be made by banks to employers with less than 500 employees if they continue to employ their existing workers. As of September 30, 2020, the Company has funded approximately 4,900 loans for a total amount of $1.05 billion for clients under the PPP, and management expects to continue to participate in any extensions of the PPP by the Treasury Department. At September 30, 2020, unaccreted deferred loan origination fees, net of costs, related to PPP loans totaled $25.3 million. PPP loan origination fees recorded as an adjustment to loan yield for the three and nine months ended September 30, 2020 were $4.0 million and $6.6 million, respectively. These PPP loans are included within the Commercial, financial and agricultural loan category in the table above.

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 borrower (or guarantors, if any) or by the fair value, less cost to acquire and sell, of any underlying collateral.
- Special Mention – loans with potential weakness that may, if not reversed or corrected, weaken the credit or inadequately protect the Company's position at some future date. These loans are not adversely classified and do not expose an institution to sufficient risk to warrant an adverse classification.
- Substandard – loans that exhibit well-defined weakness or weaknesses that currently jeopardize debt repayment. These loans are characterized by the distinct possibility that the 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, 2020 and December 31, 2019 were as follows:

September 30, 2020	Pass	Special Mention	Substandard	Doubtful	Total
			(In Thousands)		
Commercial, financial and agricultural	$ 3,374,467	$ 17,955	$ 73,767	$ -	$ 3,466,189
Real estate - construction	527,231	3,100	588	-	530,919
Real estate - mortgage:					
Owner-occupied commercial	1,708,113	14,280	2,829	-	1,725,222
1-4 family mortgage	666,463	2,065	3,313	-	671,841
Other mortgage	2,031,328	12,006	13,215	-	2,056,549
Total real estate mortgage	4,405,904	28,351	19,357	-	4,453,612
Consumer	57,785	49	-	-	57,834
Total	$ 8,365,387	$ 49,455	$ 93,712	$ -	$ 8,508,554

December 31, 2019	Pass	Special Mention	Substandard	Doubtful	Total
			(In Thousands)		
Commercial, financial and agricultural	$ 2,629,487	$ 46,176	$ 20,547	$ -	$ 2,696,210
Real estate - construction	512,373	4,731	4,288	-	521,392
Real estate - mortgage:					
Owner-occupied commercial	1,555,283	18,240	13,955	-	1,587,478
1-4 family mortgage	639,959	2,787	1,442	-	644,188
Other mortgage	1,735,869	10,018	1,507	-	1,747,394
Total real estate mortgage	3,931,111	31,045	16,904	-	3,979,060
Consumer	64,789	-	-	-	64,789
Total	$ 7,137,760	$ 81,952	$ 41,739	$ -	$ 7,261,451

Loans by performance status as of September 30, 2020 and December 31, 2019 were as follows:

September 30, 2020	Performing	Nonperforming	Total
		(In Thousands)	
Commercial, financial and agricultural	$ 3,447,490	$ 18,699	$ 3,466,189
Real estate - construction	530,332	587	530,919
Real estate - mortgage:			
Owner-occupied commercial	1,723,384	1,838	1,725,222
1-4 family mortgage	671,227	614	671,841
Other mortgage	2,051,722	4,827	2,056,549
Total real estate mortgage	4,446,333	7,279	4,453,612
Consumer	57,826	8	57,834
Total	$ 8,481,981	$ 26,573	$ 8,508,554

December 31, 2019	Performing	Nonperforming	Total
		(In Thousands)	
Commercial, financial and agricultural	$ 2,681,280	$ 14,930	$ 2,696,210
Real estate - construction	519,803	1,589	521,392
Real estate - mortgage:			
Owner-occupied commercial	1,576,652	10,826	1,587,478
1-4 family mortgage	641,875	2,313	644,188
Other mortgage	1,740,963	6,431	1,747,394
Total real estate mortgage	3,959,490	19,570	3,979,060
Consumer	64,766	23	64,789
Total	$ 7,225,339	$ 36,112	$ 7,261,451

Loans by past due status as of September 30, 2020 and December 31, 2019 were as follows:

September 30, 2020	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	$ 721	$ 3,102	$ 63	$ 3,886	$ 18,636	$ 3,443,667	$ 3,466,189
Real estate - construction	-	-	-	-	587	530,332	530,919
Real estate - mortgage:							
Owner-occupied commercial	-	-	-	-	1,838	1,723,384	1,725,222
1-4 family mortgage	211	320	-	531	614	670,696	671,841
Other mortgage	-	-	4,827	4,827	-	2,051,722	2,056,549
Total real estate - mortgage	211	320	4,827	5,358	2,452	4,445,802	4,453,612
Consumer	36	6	8	50	-	57,784	57,834
Total	$ 968	$ 3,428	$ 4,898	$ 9,294	$ 21,675	$ 8,477,585	$ 8,508,554

December 31, 2019	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	$ 3,135	$ 344	$ 201	$ 3,680	$ 14,729	$ 2,677,801	$ 2,696,210
Real estate - construction	830	-	-	830	1,589	518,973	521,392
Real estate - mortgage:							
Owner-occupied commercial	917	7,242	-	8,159	10,826	1,568,493	1,587,478
1-4 family mortgage	1,638	567	873	3,078	1,440	639,670	644,188
Other mortgage	-	-	4,924	4,924	1,507	1,740,963	1,747,394
Total real estate - mortgage	2,555	7,809	5,797	16,161	13,773	3,949,126	3,979,060
Consumer	35	25	23	83	-	64,706	64,789
Total	$ 6,555	$ 8,178	$ 6,021	$ 20,754	$ 30,091	$ 7,210,606	$ 7,261,451

The allowance for loan losses ("ALLL") 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 intofour 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: 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 contractual 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 rate implicit in the original loan agreement, 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. An additional qualitative factor was incorporated beginning in the second quarter of 2020 due to COVID-19 and its effect on overall macroeconomic conditions. This specific qualitative factor totaled $14.9 million at June 30, 2020. This COVID-19 qualitative factor totaled $11.3 million at September 30, 2020, a decrease of $3.6 million from June 30, 2020, primarily due to improvement in the national unemployment rate at the end of the third quarter of 2020.

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.

During the third quarter of 2019, the Company recorded a $7.4 million payment resulting from the termination of a Loan Guarantee Program ("LGP") operated by the State of Alabama. The payment was recorded as an increase to the allowance for loan losses specifically related to loans formerly enrolled in this program, in accordance with the Company's established ALLL review and evaluation criteria.

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, 2020 and September 30, 2019. 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, 2020				
Allowance for loan losses:					
Balance at June 30, 2020	$ 47,986	$ 4,531	$ 38,399	$ 591	$ 91,507
Charge-offs	(11,146)	-	(200)	(44)	(11,390)
Recoveries	12	-	12	15	39
Provision	12,421	(441)	304	-	12,284
Balance at September 30, 2020	$ 49,273	$ 4,090	$ 38,515	$ 562	$ 92,440
	Three Months Ended September 30, 2019				
Allowance for loan losses:					
Balance at June, 2019	$ 38,709	$ 3,419	$ 28,783	$ 475	$ 71,386
Charge-offs	(3,626)	-	(4,974)	(172)	(8,772)
Recoveries	126	1	-	60	187
Allocation from LGP	4,905	115	2,386	-	7,406
Provision	5,108	(343)	2,069	151	6,985
Balance at September 30, 2019	$ 45,222	$ 3,192	$ 28,264	$ 514	$ 77,192
	Nine Months Ended September 30, 2020				
Balance at December 31, 2019					
Allowance for loan losses:	$ 43,666	$ 2,768	$ 29,653	$ 497	$ 76,584
Charge-offs	(15,144)	(830)	(4,397)	(165)	(20,536)
Recoveries	158	2	26	55	241
Provision	20,593	2,150	13,233	175	36,151
Balance at September 30, 2020	$ 49,273	$ 4,090	$ 38,515	$ 562	$ 92,440
	Nine Months Ended September 30, 2019				
Allowance for loan losses:					
Balance at December 31, 2018	$ 39,016	$ 3,522	$ 25,508	$ 554	$ 68,600
Charge-offs	(10,273)	-	(5,193)	(453)	(15,919)
Recoveries	255	2	11	83	351
Allocation from LGP	4,905	115	2,386	-	7,406
Provision	11,319	(447)	5,552	330	16,754
Balance at September 30, 2019	$ 45,222	$ 3,192	$ 28,264	$ 514	$ 77,192
	As of September 30, 2020				
Allowance for loan losses:					
Individually Evaluated for Impairment	$ 9,204	$ 201	$ 195	$ -	$ 9,600
Collectively Evaluated for Impairment	40,069	3,889	38,320	562	82,840
Loans:					
Ending Balance	$ 3,466,189	$ 530,919	$ 4,453,612	$ 57,834	$ 8,508,554
Individually Evaluated for Impairment	73,800	587	19,376	-	93,763
Collectively Evaluated for Impairment	3,392,389	530,332	4,434,236	57,834	8,414,791
	As of December 31, 2019				
Allowance for loan losses:					
Individually Evaluated for Impairment	$ 6,085	$ 86	$ 3,633	$ -	$ 9,804
Collectively Evaluated for Impairment	37,581	2,682	26,020	497	66,780
Loans:					
Ending Balance	$ 2,696,210	$ 521,392	$ 3,979,060	$ 64,789	$ 7,261,451
Individually Evaluated for Impairment	20,843	4,320	17,985	-	43,148
Collectively Evaluated for Impairment	2,675,367	517,072	3,961,075	64,789	7,218,303

The following table presents details of the Company's impaired loans as of September 30, 2020 and December 31, 2019, respectively. Loans which have been fully charged off do not appear in the tables.

	September 30, 2020			For the three months ended September 30, 2020		For the nine months ended September 30, 2020	
	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	$ 50,898	$ 60,687	$ -	$ 61,374	$ 442	$ 61,967	$ 1,605
Real estate - construction	-	-	-	-	-	-	-
Real estate - mortgage:							
Owner-occupied commercial	1,581	1,581	-	1,582	12	1,600	52
1-4 family mortgage	2,899	2,899	-	2,882	26	2,814	78
Other mortgage	12,200	12,200	-	12,068	122	12,211	396
Total real estate - mortgage	16,680	16,680	-	16,532	160	16,625	526
Consumer	-	-	-	-	-	-	-
Total with no allowance recorded	67,578	77,367	-	77,906	602	78,592	2,131
With an allowance recorded:							
Commercial, financial and agricultural	22,902	23,169	9,204	21,648	102	22,237	535
Real estate - construction	587	637	201	954	-	1,012	-
Real estate - mortgage:							
Owner-occupied commercial	1,252	1,392	146	4,563	3	3,915	97
1-4 family mortgage	412	412	49	398	12	406	12
Other mortgage	1,032	1,032	-	1,022	11	1,077	35
Total real estate - mortgage	2,696	2,836	195	5,983	26	5,398	144
Consumer	-	-	-	-	-	-	-
Total with allowance recorded	26,185	26,642	9,600	28,585	128	28,647	679
Total Impaired Loans:							
Commercial, financial and agricultural	73,800	83,856	9,204	83,022	544	84,204	2,140
Real estate - construction	587	637	201	954	-	1,012	-
Real estate - mortgage:							
Owner-occupied commercial	2,833	2,973	146	6,145	15	5,515	149
1-4 family mortgage	3,311	3,311	49	3,280	38	3,220	90
Other mortgage	13,232	13,232	-	13,090	133	13,288	431
Total real estate - mortgage	19,376	19,516	195	22,515	186	22,023	670
Consumer	-	-	-	-	-	-	-
Total impaired loans	$ 93,763	$ 104,009	$ 9,600	$ 106,491	$ 730	$ 107,239	$ 2,810

	December 31, 2019			For the twelve months ended December 31, 2019	
	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	$ 9,015	$ 10,563	$ -	$ 11,284	$ 562
Real estate - construction	2,731	2,735	-	2,063	126
Real estate - mortgage:					
Owner-occupied commercial	7,150	7,246	-	7,548	618
1-4 family mortgage	287	287	-	289	2
Other mortgage	-	-	-	-	-
Total real estate - mortgage	7,437	7,533	-	7,837	620
Consumer	-	-	-	-	-
Total with no allowance recorded	19,183	20,831	-	21,184	1,308
With an allowance recorded:					
Commercial, financial and agricultural	11,828	19,307	6,085	19,714	395
Real estate - construction	1,589	1,589	86	1,614	27
Real estate - mortgage:					
Owner-occupied commercial	7,888	11,028	2,456	13,627	301
1-4 family mortgage	1,153	1,153	176	1,157	1
Other mortgage	1,507	1,507	1,001	1,468	21
Total real estate - mortgage	10,548	13,688	3,633	16,252	323
Consumer	-	-	-	-	-
Total with allowance recorded	23,965	34,584	9,804	37,580	745
Total Impaired Loans:					
Commercial, financial and agricultural	20,843	29,870	6,085	30,998	957
Real estate - construction	4,320	4,324	86	3,677	153
Real estate - mortgage:					
Owner-occupied commercial	15,038	18,274	2,456	21,175	919
1-4 family mortgage	1,440	1,440	176	1,446	3
Other mortgage	1,507	1,507	1,001	1,468	21
Total real estate - mortgage	17,985	21,221	3,633	24,089	943
Consumer	-	-	-	-	-
Total impaired loans	$ 43,148	$ 55,415	$ 9,804	$ 58,764	$ 2,053

As of September 30, 2020, there are 42 loans outstanding totaling $28.2 million that have payment deferrals in connection with the COVID-19 relief provided by the CARES Act. Of these 42 payment deferrals, 9 were principal only deferrals totaling $5.1 million, 4 were interest only deferrals totaling $3.2 million and 29 were principal and interest deferrals totaling $19.9 million. The CARES Act precluded all of ServisFirst COVID-19 loan modifications from being classified as a TDR as of September 30, 2020.

Troubled Debt Restructurings ("TDR") at September 30, 2020, December 31, 2019 and September 30, 2019 totaled $2.7 million, $3.3 million and $11.2 million, respectively. The portion of those TDRs accruing interest at September 30, 2020, December 31, 2019 and September 30, 2019 totaled $1.8 million, $625,000 and $3.5 million, respectively. At September 30, 2020, the Company had a related allowance for loan losses of $534,000 allocated to these TDRs, compared to $929,000 at December 31, 2019 and $1.8 million at September 30, 2019. TDR activity by portfolio segment for the three and nine months ended September 30, 2020 and September 30, 2019 is presented in the table below.

	Three Months Ended September 30, 2020			Nine Months Ended September 30, 2020		
	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	$ 214	$ 214	2	$ 564	$ 564
Real estate - construction	1	357	357	1	357	357
Real estate - mortgage:						
Owner-occupied commercial	1	611	611	1	611	611
1-4 family mortgage	-	-	-	-	-	-
Other mortgage	-	-	-	-	-	-
Total real estate mortgage	1	611	611	1	611	611
Consumer	-	-	-	-	-	-
	3	$ 1,182	$ 1,182	4	$ 1,532	$ 1,532

	Three Months Ended September 30, 2019			Nine Months Ended September 30, 2019		
	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	$ 2,742	$ 2,742
Real estate - construction	-	-	-	-	-	-
Real estate - mortgage:						
Owner-occupied commercial	-	-	-	-	-	-
1-4 family mortgage	-	-	-	-	-	-
Other mortgage	-	-	-	-	-	-
Total real estate mortgage	-	-	-	-	-	-
Consumer	-	-	-	-	-	-
	-	$ -	$ -	1	$ 2,742	$ 2,742

There were no loans which were modified in the previous twelve months (i.e., the twelve months prior to default) that defaulted during the three and nine months ended September 30, 2020. There were no loans which were modified in the previous twelve months that defaulted during the three months ended September 30, 2019. There were two commercial loans totaling $325,000 which were modified in the previous twelve months which defaulted during the nine months ended September 30, 2019. For purposes of this disclosure, default is defined as 90 days past due and still accruing or placement on nonaccrual status.

NOTE 6 - LEASES

The Company leases space under non-cancelable operating leases for several of its banking offices and certain office equipment. The leases have remaining terms up to 8.4 years. At September 30, 2020, the Company had lease right-of-use assets and lease liabilities totaling $10.3 million and $11.1 million, respectively, compared to $12.3 million and $12.4 million, respectively, at December 31, 2019 which are reflected in other assets and other liabilities, respectively, in the Company's Consolidated Balance Sheet.

Maturities of operating lease liabilities as of September 30, 2020 are as follows:

	September 30, 2020 (In Thousands)
2020 (remaining)	$ 839
2021	2,744
2022	2,679
2023	2,205
2024	1,232
thereafter	2,624
Total lease payments	12,323
Less: imputed interest	(1,219)
Present value of operating lease liabilities	$ 11,104

As of September 30, 2020, the weighted average remaining term of operating leases is 5.0 years and the weighted average discount rate used in the measurement of operating lease liabilities was 3.20%.

Operating cash flows related to leases were $855,000 and $2.6 million, for the three and nine months ended September 30, 2020, respectively, compared to $888,000 and $2.5 million for the three and nine months ended September 30, 2019, respectively.

Lease costs during the three and nine months ended September 30, 2020 and September 30, 2019 were as follows (in thousands):

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019
Operating lease cost	$ 876	$ 809
Short-term lease cost	13	8
Variable lease cost	77	49
Sublease income	(25)	(23)
Net lease cost	$ 941	$ 843

	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Operating lease cost	$ 2,623	$ 2,500
Short-term lease cost	45	21
Variable lease cost	165	151
Sublease income	(70)	(35)
Net lease cost	$ 2,763	$ 2,637

NOTE 7 - EMPLOYEE AND DIRECTOR BENEFITS

Stock Options

The Company has a stock-based compensation plan as described below. The compensation cost that has been charged to earnings for the plan was $340,000 and $969,000 for the three and nine months ended September 30, 2020 and $294,000 and $781,000 for the three and nine months ended September 30, 2019.

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

The Company estimates the fair value of each stock option award using a Black-Scholes-Merton valuation model that uses the assumptions noted in the following table. Expected volatility is based on historical volatilities of the Company's common stock. 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.

	2019
Expected volatility	40.00%
Expected dividends	1.74%
Expected term (in years)	6.7
Risk-free rate	2.56%

There were no grants of stock options during the nine months ended September 30, 2020. The weighted average grant-date fair value of options granted during the nine months ended September 30, 2019 was $12.60.

The following table summarizes stock option activity during the nine months ended September 30, 2020 and September 30, 2019:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (In Thousands)
Nine Months Ended September 30, 2020:				
Outstanding at January 1, 2020	965,248	$ 15.19	4.9	$ 21,911
Granted	-	-	-	-
Exercised	(279,300)	11.36	3.2	6,330
Forfeited	(18,000)	30.79	6.4	58
Outstanding at September 30, 2020	667,948	16.37	4.5	$ 11,720
Exercisable at September 30, 2020	209,200	$ 12.41	3.2	$ 4,425
Nine Months Ended September 30, 2019:				
Outstanding at January 1, 2019	1,238,748	$ 13.02	5.2	$ 23,355
Granted	10,500	34.44	9.4	(14)
Exercised	(239,300)	7.02	2.3	6,162
Forfeited	(20,200)	24.88	6.5	167
Outstanding at September 30, 2019	989,748	14.46	5.0	$ 18,603
Exercisable at September 30, 2019	278,000	$ 7.36	3.1	$ 7,261

As of September 30, 2020, there was $815,000 of total unrecognized compensation cost related to non-vested stock options. The cost is expected to be recognized on the straight-line method over the next 0.9 years.

Restricted Stock

The Company periodically grants restricted stock awards that vest upon service conditions. Dividend payments are made during the vesting period. The value of restricted stock is determined to be the current value of the Company's stock, and this total value will be recognized as compensation expense over the vesting period. As of September 30, 2020, there was $1.8 million of total unrecognized compensation cost related to non-vested restricted stock. The cost is expected to be recognized evenly over the remaining 2.9 years of the restricted stock's vesting period.

The following table summarizes restricted stock activity during the nine months ended September 30, 2020 and 2019, respectively.

	Shares	Weighted Average Grant Date Fair Value
Nine Months Ended September 30, 2020:		
Non-vested at January 1, 2020	71,290	$ 31.53
Granted	29,067	33.20
Vested	(19,928)	23.64
Forfeited	-	-
Non-vested at September 30, 2020	80,429	34.09
Nine Months Ended September 30, 2019:		
Non-vested at January 1, 2019	56,576	$ 29.94
Granted	21,274	34.08
Vested	(5,200)	20.31
Forfeited	(2,500)	38.17
Non-vested at September 30, 2019	70,150	31.62

NOTE 8 - DERIVATIVES

The Company periodically enters into derivative contracts to manage exposures to movements in interest rates. The Company purchased an interest rate cap in May of 2020 to limit exposures to increases in interest rates. The interest rate cap is not designated as a hedging instrument but rather as a stand-alone derivative. The interest rate cap has an original term of 3 years, a notional amount of $300 million and is tied to the one-month LIBOR rate with a strike rate of 0.50%. The fair value of the interest rate cap is carried on the balance sheet in other assets and the change in fair value is recognized in noninterest income each quarter. At September 30, 2020 the interest rate cap had a fair value of $200,000 and remaining term of 2.6 years.

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, 2020 and December 31, 2019 were not material.

NOTE 9 – RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

In July 2018, the Financial Accounting Standards Board ("FASB") issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement.* This ASU eliminated, added and modified certain disclosure requirements for fair value measurements. Among the changes, entities are no longer required to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy however, entities are required to disclose the range and weighted average used to develop significant unobservable inputs for Level 3 fair value measurements. ASU No. 2018-13 was effective for the Company beginning January 1, 2020. As ASU 2018-13 only revised disclosure requirements, it had no material impact on the Company's Consolidated Financial Statements.

NOTE 10 - RECENT ACCOUNTING PRONOUNCEMENTS

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. In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration.

The CARES Act gave financial institutions the option to delay adoption of ASU 2016-13. The Company decided to delay its adoption of the update until the earlier of the date the national emergency concerning COVID-19 terminates or December 31, 2020, with an effective retrospective adoption date of January 1, 2020.

The Company's CECL implementation team includes leadership from Accounting, Credit Administration and Risk Management. This group works closely with a third-party software solution vendor providing expertise in CECL modeling techniques to develop expected credit loss estimation models. Loans with similar risk characteristics have been evaluated in pools and, depending on the nature of each identified pool, the Company utilized a discounted cash flow ("DCF"), probability of default / loss given default ("PD/LGD") or remaining life method. The historical loss experience estimate by pool is then adjusted by forecast factors that are quantitatively related to the Company's historical credit loss experience, such as national unemployment rates and gross domestic product.

CECL parallel comparisons were performed at September 30, 2020 and the Company estimates the allowance for loan losses under CECL will be within five percent of the allowance for loan losses under the incurred loss methodology. The Company forecasted an immediate reversion to longer term average historical loss experience for the reasonable and supportable forecast due to the current level of uncertainty and unprecedented effect of COVID-19 as well as the corresponding response from the federal government through the CARES Act. Qualitative factors were adjusted for a higher level of risk associated with economic conditions with a mitigating adjustment for the regulatory environment.

Credit losses for loans that no longer share similar risk characteristics were estimated on an individual basis. Individual evaluations were performed for nonaccrual loans, loans rated substandard, and modified loans classified as troubled debt restructurings. Specific allowances were estimated based on one of several methods, including the estimated fair value of the underlying collateral, observable market value of similar debt or the present value of expected cash flows.

The estimation methodology for credit losses on lending-related commitments were similar to the process for estimating credit losses for loans, with the addition of a probability of draw estimate that will be applied to each commitment amount.

Based upon the nature and characteristics of our securities portfolios at September 30, 2020, the macroeconomic conditions and forecasts at that date, and other management judgments, the Company does not currently expect to record any allowance for credit losses on available for sale securities.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* The update provides temporary optional guidance to ease the potential burden in accounting for reference rate reform. The guidance provides optional expedients and exceptions for applying generally accepted accounting principles to contract modifications and hedging relationships, subject to meeting certain criteria, that reference LIBOR or another reference rate expected to be discontinued. The guidance is intended to help stakeholders during the global market-wide reference rate transition period. Therefore, it will be effective for a limited time, starting March 12, 2020 through December 31, 2022. The Company has identified a replacement reference rate established by the American Financial Exchange. This rate is based on an active market of daily fund trading among participant banks. The Company will apply the guidance provided by this ASU in transitioning to the new reference rate.

In August 2020, FASB issued ASU 2020-06, *Debt-Debt with Conversion and Other Options (Topic 470) and Derivatives and Hedging – Contracts in Entity's Own Equity (Topic 815): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity.* The update is intended to simplify accounting for convertible instruments by removing major separation models required under current U.S. GAAP. Consequently, more convertible debt instruments will be reported as a single liability instrument and more convertible preferred stock as a single equity instrument with no separate accounting for embedded conversion features. The update removes certain settlement conditions that are required for equity contracts to qualify for the derivative scope exception, which will permit more equity contracts to qualify for it. The update also simplifies the diluted earnings per share calculation in certain areas. The update is effective for the Company for its fiscal year beginning after December 15, 2021, including interim periods within those years. Early adoption will be permitted. The Company does not currently have any convertible debt instruments outstanding so does not believe that the update will have an impact on its financial statements.

NOTE 11 - FAIR VALUE MEASUREMENT

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

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

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

Debt Securities. Where quoted prices are available in an active market, securities are classified within Level1 of the hierarchy. Level 1 securities include highly liquid government securities such as U.S. Treasuries and exchange-traded equity securities. For securities traded in secondary markets for which quoted market prices are not available, the Company generally relies on pricing services provided by independent vendors. Such independent pricing services are to advise the Company on the carrying value of the securities available for sale portfolio. As part of the Company's procedures, the price provided from the service is evaluated for reasonableness given market changes. When a questionable price exists, the Company investigates further to determine if the price is valid. If needed, other market participants may be utilized to determine the correct fair value. The Company has also reviewed and confirmed its determinations in discussions with the pricing source regarding their methods of price discovery. Securities measured with these techniques are classified within Level 2 of the hierarchy and often involve using quoted market prices for similar securities, pricing models or discounted cash flow calculations using inputs observable in the market where available. Examples include U.S. government agency securities, mortgage-backed securities, obligations of states and political subdivisions and certain corporate, asset-backed and other securities. The Company bought two corporate debt securities in a private placement transaction, for which Level2 inputs are not available. The Company uses average observable prices of similar corporate securities owned by the Company to value the two securities and are classified in Level 3 of the hierarchy. The range of values and weighted average value as of September 30, 2020 was 87.6222 to 116.1915 and 104.0924, respectively, observed for the Company's other similar corporate securities. The range of values and weighted average value as of December 31, 2019 was 98.7836 to 112.2305 and 102.2648, respectively, observed for the Company's other similar corporate securities.

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

Impaired Loans. Impaired loans are measured and reported at fair value when full payment under the loan terms isnot 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, which typically ranges between 8%-10%, 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. The range of fair value adjustments and weighted average adjustments as of September 30, 2020 was 0% to 50% and 17.1%, respectively. The range of fair value adjustments and weighted average adjustment as of December 31, 2019 was 0% to 30% and 5.6%, respectively. 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 $11.2 million and $20.0 million during the three and nine months ended September 30, 2020, respectively, and $7.7 million and $16.1 million during the three and nine months ended September 30, 2019, respectively.

Other Real Estate Owned and repossessed assets. Other real estate assets ("OREO") acquired through, or in lieu of, foreclosure and repossessed assets 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 or repossession are charged to the allowance for loan losses subsequent to foreclosure or repossession. Values are derived from appraisals of underlying collateral and discounted cash flow analysis. Appraisals are performed by certified and licensed appraisers. Subsequent to foreclosure, valuations are updated periodically and assets are marked to current fair value, not to exceed the new cost basis. In the determination of fair value subsequent to foreclosure, management also considers other factors or recent developments, such as changes in absorption rates and market conditions from the time of valuation and anticipated sales values considering management's plans for disposition, which could result in adjustment to lower the property value estimates indicated in the appraisals. The range of fair value adjustments and weighted average adjustment as of September 30, 2020 was 5% to 46% and 10.7%, respectively. The range of fair value adjustments and weighted average adjustment as of December 31, 2019 was 5% to 10% and 8.0%, respectively. These measurements are classified as Level 3 within the valuation hierarchy. A loss on the sale and write-downs of OREO and repossessed assets of $ 86,000 and $2.5 million was recognized for the three and nine months ended September 30, 2020, respectively, and $58,000 and $282,000 for the three and nine months ended September 30, 2019, respectively. These charges were for write-downs in the value of OREO subsequent to foreclosure and losses on the disposal of OREO. OREO and repossessed assets are classified within Level 3 of the hierarchy.

There were no residential real estate loans foreclosed and classified as OREO as of September 30, 2020, compared to one residential real estate loan foreclosure for $103,000 as of December 31, 2019.

The following table presents the Company's financial assets and financial liabilities carried at fair value on a recurring basis as of September 30, 2020 and December 31, 2019:

	Fair Value Measurements at September 30, 2020 Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets Measured on a Recurring Basis:		(In Thousands)		
Available-for-sale debt securities:				
U.S. Treasury securities	$ -	$ 19,426	$ -	$ 19,426
Government agency securities	-	15,521	-	15,521
Mortgage-backed securities	-	518,062	-	518,062
State and municipal securities	-	37,408	-	37,408
Corporate debt	-	316,051	6,581	322,632
Total available-for-sale debt securities	-	906,468	6,581	913,049
Interest rate cap derivative	-	200	-	200
Total assets at fair value	$ -	$ 906,668	$ 6,581	$ 913,249

	Fair Value Measurements at December 31, 2019 Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets Measured on a Recurring Basis:		(In Thousands)		
Available-for-sale debt securities:				
U.S. Treasury securities	$ -	$ 49,210	$ -	$ 49,210
Government agency securities	-	18,386	-	18,386
Mortgage-backed securities	-	474,054	-	474,054
State and municipal securities	-	57,272	-	57,272
Corporate debt	-	153,881	6,596	160,477
Total assets at fair value	$ -	$ 752,803	$ 6,596	$ 759,399

The following table presents the Company's financial assets and financial liabilities carried at fair value on a nonrecurring basis as of September 30, 2020 and December 31, 2019:

	Fair Value Measurements at September 30, 2020			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets Measured on a Nonrecurring Basis:		(In Thousands)		
Impaired loans	$ -	$ -	$ 84,163	$ 84,163
Other real estate owned and repossessed assets	-	-	6,976	6,976
Total assets at fair value	$ -	$ -	$ 91,139	$ 91,139

	Fair Value Measurements at December 31, 2019			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets Measured on a Nonrecurring Basis:		(In Thousands)		
Impaired loans	$ -	$ -	$ 33,344	$ 33,344
Other real estate owned and repossessed assets	-	-	8,178	8,178
Total assets at fair value	$ -	$ -	$ 41,522	$ 41,522

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

The estimated fair values of the Company's financial instruments not measured at fair value on a recurring or non-recurring basis as of September 30, 2020 and December 31, 2019 were as follows:

	September 30, 2020		December 31, 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In Thousands)			
Financial Assets:				
Level 1 inputs:				
Cash and due from banks	$ 1,622,069	$ 1,622,069	$ 530,127	$ 530,127
Level 2 inputs:				
Federal funds sold	1,302	1,302	100,473	100,473
Mortgage loans held for sale	21,472	22,244	6,302	6,312
Level 3 inputs:				
Held to maturity debt securities	250	250	250	250
Loans, net	8,331,951	8,232,972	7,151,523	7,099,198
Financial liabilities:				
Level 2 inputs:				
Deposits	$ 9,673,783	$ 9,687,830	$ 7,530,433	$ 7,534,984
Federal funds purchased	669,350	669,350	470,749	470,749
Other borrowings	64,719	63,840	64,703	65,048

NOTE 12 – SUBSEQUENT EVENTS

On October 21, 2020, the Company entered into a Note Purchase Agreement whereby it issued in a private placement $34.8 million in aggregate principal amount of 4.00% Subordinated Notes due October 21, 2030. The Notes were sold to accredited investors pursuant to an exemption from registration under the Securities Act of 1933, as amended. The Notes will pay interest semi-annually on June 30th and December 31st each year, beginning December 31, 2020, until the Notes mature. The Notes may not be prepaid by the Company prior to October 21, 2025. The Company used all of the net proceeds to redeem in full its 5.00% Subordinated Notes issued July 15, 2015.

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

The following discussion and analysis is designed to provide a better understanding of various factors relating to the results of operations and financial condition of ServisFirst Bancshares, Inc. (the "Company") and its wholly-owned subsidiary, ServisFirst Bank. This discussion is intended to supplement and highlight information contained in the accompanying unaudited consolidated financial statements as of and for the three and nine months ended September 30, 2020 and September 30, 2019.

Forward-Looking Statements

Statements in this document that are not historical facts, including, but not limited to, statements concerning future operations, results or performance, are hereby identified as "forward-looking statements" for the purpose of the safe harbor provided by Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 27A of the Securities Act of 1933. The words "believe," "expect," "anticipate," "project," "plan," "intend," "will," "could," "would," "might" and similar expressions often signify forward-looking statements. Such statements involve inherent risks and uncertainties. The Company cautions that such forward-looking statements, wherever they occur in this quarterly report or in other statements attributable to the Company, are necessarily estimates reflecting the judgment of the Company's senior management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. Such forward-looking statements should, therefore, be considered in light of various factors that could affect the accuracy of such forward-looking statements, including, but not limited to: the global health and economic crisis precipitated by the COVID-19 outbreak; general economic conditions, especially in the credit markets and in the Southeast; the performance of the capital markets; changes in interest rates, yield curves and interest rate spread relationships; changes in accounting and tax principles, policies or guidelines; changes in legislation or regulatory requirements; changes in our loan portfolio and deposit base; economic crisis and associated credit issues in industries most impacted by the COVID-19 outbreak, including but not limited to, the restaurant, hospitality and retail sectors; possible changes in laws and regulations and governmental monetary and fiscal policies; the cost and other effects of legal and administrative cases and similar contingencies; possible changes in the creditworthiness of customers and the possible impairment of the collectability of loans and the value of collateral; the effect of natural disasters, such as hurricanes and tornados, in our geographic markets; and increased competition from both banks and non-banks. The foregoing list of factors is not exhaustive. For discussion of these and other risks that may cause actual results to differ from expectations, please refer to "Cautionary Note Regarding Forward Looking Statements" and "Risk Factors" in our most recent Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q for fiscal year 2020 and our other SEC filings. If one or more of the factors affecting our forward-looking information and statements proves incorrect, then our actual results, performance or achievements could differ materially from those expressed in, or implied by, forward-looking information and statements contained herein. Accordingly, you should not place undue reliance on any forward-looking statements, which speak only as of the date made. The Company assumes no obligation to update or revise any forward-looking statements that are made from time to time.

Business

We are a bank holding company under the Bank Holding Company Act of 1956 and are headquartered in Birmingham, Alabama. Our wholly-owned subsidiary, ServisFirst Bank, an Alabama banking corporation, provides commercial banking services through 21 full-service banking offices located in Alabama, Tampa Bay, Florida, the panhandle of Florida, the greater Atlanta, Georgia metropolitan area, Charleston, South Carolina, and Nashville, Tennessee. Through the Bank, we originate commercial, consumer and other loans and accept deposits, provide electronic banking services, such as online and mobile banking, including remote deposit capture, deliver treasury and cash management services and provide correspondent banking services to other financial institutions.

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

Overview of Quarter and Year-to-Date Results

As of September 30, 2020, we had consolidated total assets of $11.39 billion, up $2.45 billion, or 27%, when compared to consolidated assets of $8.95 billion at December 31, 2019. Total loans were $8.51 billion at September 30, 2020, up $1.25 billion, or 17%, from $7.26 billion at December 31, 2019. Total deposits were $9.67 billion at September 30, 2020, up $2.14 billion, or 29%, from $7.53 billion at December 31, 2019.

Net income available to common stockholders for the three months ended September 30, 2020 was $43.4 million, an increase of $5.8 million, or 15.4%, from $37.6 million for the corresponding period in 2019. Basic and diluted earnings per common share were $0.80 for the three months ended September 30, 2020, compared to basic and diluted earnings per common share of $0.70 and $0.69, respectively, for the corresponding period in 2019.

Net income available to common stockholders for the nine months ended September 30, 2020 was $118.6 million, an increase of $10.4 million, or 9.6%, from $108.2 million for the corresponding period in 2019. Basic and diluted earnings per common share were $2.20 and $2.19, respectively, for the nine months ended September 30, 2020, compared to $2.02 and $2.00, respectively, for the corresponding period in 2019.

Critical Accounting Policies

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

Financial Condition

Cash and Cash Equivalents

At September 30, 2020, we had $1.3 million in federal funds sold, compared to $100.5 million at December 31, 2019. We also maintain balances at the Federal Reserve Bank of Atlanta, which earn interest. At September 30, 2020, we had $1.40 billion in balances at the Federal Reserve, compared to $61.9 million at December 31, 2019. The increase in balances kept at the Federal Reserve in 2020 result from federal stimulus funds on deposit with us by our customers stemming from the COVID-19 pandemic.

Debt Securities

Debt securities available for sale totaled $913.0 million at September 30, 2020 and $759.4 million at December 31, 2019. Investment securities held to maturity totaled $250,000 at September 30, 2020 and at December 31, 2019. We had paydowns of $87.2 million on mortgage-backed securities and government agencies, maturities of $48.1 million on municipal bonds, corporate securities and treasury securities, and calls of $8.1 million on U.S. government agencies and municipal securities during the nine months ended September 30, 2020. We purchased $120.0 million in mortgage-backed securities and $168.5 million in corporate securities during the first nine months of 2020. For a tabular presentation of debt securities available for sale and held to maturity at September 30, 2020 and December 31, 2019, see "Note 4 – Securities" in our Notes to Consolidated Financial Statements.

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

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

The Company does not invest in collateralized debt obligations ("CDOs"). At September 30, 2020, we had $316.1 million of bank holding company subordinated notes. If rated, all of these notes were rated BBB or better by Kroll Bond Rating Agency at the time of our investment in them. All other corporate bonds had a Standard and Poor's or Moody's rating of A-1 or better when purchased. The total investment portfolio at September 30, 2020 has a combined average credit rating of AA.

The carrying value of investment securities pledged to secure public funds on deposit and for other purposes was $432.7 million and $389.9 million as of September 30, 2020 and December 31, 2019, respectively.

Loans

As of September 30, 2020, there are 42 loans outstanding totaling $28.2 million that have payment deferrals in connection with the COVID-19 relief provided by the CARES Act. Of these 42 payment deferrals, 9 were principal only deferrals totaling $5.1 million, 4 were interest only deferrals totaling $3.2 million and 29 were principal and interest deferrals totaling $19.9 million. The amount of accrued interest related to payment deferrals totaled $6.0 million at September 30, 2020. These deferrals were not considered troubled debt restructurings based on guidance within the CARES Act issued in March 2020.

We had total loans of $8.51 billion at September 30, 2020, an increase of $1.25 billion, or 17%, compared to $7.26 billion at December 31, 2019. We originated approximately 4,900 PPP loans totaling $1.05 billion as of September 30, 2020. Over 4,100 of these loans have a balance of less than $350,000. The percentage of our loans in each of our regions were as follows:

	Percentage of Total Loans in Market
Birmingham, AL	39.8%
Huntsville, AL	8.4%
Dothan, AL	8.6%
Montgomery, AL	5.5%
Mobile, AL	6.1%
Total Alabama MSAs	68.4%
Pensacola, FL	6.3%
West Florida (1)	4.9%
Total Florida MSAs	11.2%

Nashville, TN	9.4%
Atlanta, GA	6.5%
Charleston, SC	4.4%

(1) comprised of Tampa Bay and Sarasota, Florida

Asset Quality

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

The allowance for loan losses, sometimes referred to as the "ALLL," is established and maintained at levels management deems adequate to absorb anticipated credit losses from identified and otherwise inherent risks in the loan portfolio as of the balance sheet date. In assessing the adequacy of the ALLL, management considers its evaluation of the loan portfolio, past due loan experience, collateral values, current economic conditions and other factors considered necessary to maintain the ALLL at an adequate level. If the ALLL is considered inadequate to absorb future loan losses on existing loans for any reason, including but not limited to, increases in the size of the loan portfolio, increases in charge-offs or changes in the risk characteristics of the loan portfolio, then the provision for loan losses is increased. Our management believes that the allowance was adequate at September 30, 2020.

Our management reviews the adequacy of the ALLL on a quarterly basis. The ALLL calculation is segregated into various segments that include classified loans, loans with specific allocations and pass rated loans. A pass rated loan is generally characterized by a very low to average risk of default and in which management perceives there is a minimal risk of loss. Loans are rated using a nine-point risk grade scale with loan officers having the primary responsibility for assigning risk grades and for the timely reporting of changes in the risk grades. Based on these processes, and the assigned risk grades, the criticized and classified loans in the portfolio are segregated into the following regulatory classifications: Special Mention, Substandard, Doubtful or Loss, with some general allocation of reserve based on these grades. At September 30, 2020, total loans rated Special Mention, Substandard, and Doubtful were $143.2 million, or 1.7% of total loans, compared to $123.7 million, or 1.7% of total loans, at December 31, 2019. Reserve percentages assigned to non-impaired loans are based on historical charge-off experience adjusted for other risk factors. To evaluate the overall adequacy of the ALLL to absorb losses inherent in our loan portfolio, our management considers historical loss experience based on volume and types of loans, trends in classifications, volume and trends in delinquencies and nonaccruals, economic conditions, including the economic distress caused by the COVID-19 pandemic and other pertinent information. Based on future evaluations, additional provisions for loan losses may be necessary to maintain the allowance for loan losses at an appropriate level.

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

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

	As of and for the Three Months Ended September 30,		As of and for the Nine Months Ended September 30,	
	2020	2019	2020	2019
	(Dollars in thousands)			
Total loans outstanding, net of unearned income	$ 8,508,554	$ 7,022,069	$ 8,508,554	$ 7,022,069
Average loans outstanding, net of unearned income	$ 8,365,155	$ 6,961,270	$ 8,021,262	$ 6,785,257
Allowance for loan losses at beginning of period	91,507	71,386	76,584	68,600
Charge-offs:				
Commercial, financial and agricultural loans	11,146	3,626	15,144	10,273
Real estate - construction	-	-	830	-
Real estate - mortgage	200	4,974	4,397	5,193
Consumer loans	44	172	165	453
Total charge-offs	11,390	8,772	20,536	15,919
Recoveries:				
Commercial, financial and agricultural loans	12	126	158	255
Real estate - construction	-	1	2	2
Real estate - mortgage	12	-	26	11
Consumer loans	15	60	55	83
Total recoveries	39	187	241	351
Net charge-offs	11,351	8,585	20,295	15,568
Allocation from LGP	-	7,406	-	7,406
Provision for loan losses	12,284	6,985	36,151	16,754
Allowance for loan losses at period end	$ 92,440	$ 77,192	$ 92,440	$ 77,192
Allowance for loan losses to period end loans	1.09%	1.10%	1.09%	1.10%
Net charge-offs to average loans	0.54%	0.49%	0.34%	0.31%

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

September 30, 2020	Amount	Percentage of loans in each category to total loans
	(In Thousands)	
Commercial, financial and agricultural	$ 49,273	40.74%
Real estate - construction	4,090	6.24%
Real estate - mortgage	38,515	52.34%
Consumer	562	0.68%
Total	$ 92,440	100.00%

December 31, 2019	Amount	Percentage of loans in each category to total loans
	(In Thousands)	
Commercial, financial and agricultural	$ 43,666	37.13%

Real estate - construction		2,768	7.18%
Real estate - mortgage		29,653	54.80%
Consumer		497	0.89%
Total	$	76,584	100.00%

Nonperforming Assets

Total nonperforming loans, which include nonaccrual loans and loans 90 or more days past due and still accruing, decreased to $26.6 million at September 30, 2020, compared to $36.1 million at December 31, 2019. Of this total, nonaccrual loans of $21.7 million at September 30, 2020 represented a net decrease of $8.4 million from nonaccrual loans at December 31, 2019. Excluding credit card accounts, there was one loan 90 or more days past due and still accruing totaling $4.8 million at September 30, 2020, compared to three loans totaling $5.0 million at December 31, 2019. Troubled Debt Restructurings ("TDR") at September 30, 2020 and December 31, 2019 were $2.7 million and $3.3 million, respectively.

OREO and repossessed assets decreased to $7.0 million at September 30, 2020, from $8.2 million at December 31, 2019. The following table summarizes OREO and repossessed asset activity for the nine months ended September 30, 2020 and 2019:

	Nine Months Ended September 30,			
	2020		2019	
	(In thousands)			
Balance at beginning of period	$	8,178	$	5,169
Transfers from loans and capitalized expenses		2,406		1,177
Proceeds from sales		(1,780)		(727)
Internally financed sales		-		-
Write-downs / net gain (loss) on sales		(1,828)		(282)
Balance at end of period	$	6,976	$	5,337

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

	September 30, 2020			December 31, 2019		
	Balance		Number of Loans	Balance		Number of Loans
	(Dollar Amounts In Thousands)					
Nonaccrual loans:						
Commercial, financial and agricultural	$	18,636	24	$	14,729	29
Real estate - construction		587	3		1,589	2
Real estate - mortgage:						
Owner-occupied commercial		1,838	6		10,826	3
1-4 family mortgage		614	6		1,440	5
Other mortgage		-	-		1,507	1
Total real estate - mortgage		2,452	12		13,773	9
Consumer		-	-		-	-
Total Nonaccrual loans:	$	21,675	39	$	30,091	40
90+ days past due and accruing:						
Commercial, financial and agricultural	$	63	3	$	201	3
Real estate - construction		-	-		-	-
Real estate - mortgage:						
Owner-occupied commercial		-	-		-	-
1-4 family mortgage		-	-		873	5
Other mortgage		4,827	1		4,924	1
Total real estate - mortgage		4,827	1		5,797	6
Consumer		8	4		23	8
Total 90+ days past due and accruing:	$	4,898	8	$	6,021	17
Total Nonperforming Loans:	$	26,573	47	$	36,112	57
Plus: Other real estate owned and repossessions		6,976	10		8,178	12
Total Nonperforming Assets	$	33,549	57	$	44,290	69
Restructured accruing loans:						
Commercial, financial and agricultural	$	1,800	5	$	625	2
Real estate - construction		-	-		-	-
Real estate - mortgage:						
Owner-occupied commercial		-	-		-	-
1-4 family mortgage		-	-		-	-
Other mortgage		-	-		-	-
Total real estate - mortgage		-	-		-	-
Consumer		-	-		-	-
Total restructured accruing loans:	$	1,800	5	$	625	2
Total Nonperforming assets and restructured accruing loans	$	35,349	62	$	44,915	71
Ratios:						
Nonperforming loans to total loans		0.31%			0.50%	
Nonperforming assets to total loans plus other real estate owned and repossessions		0.39%			0.61%	
Nonperforming assets plus restructured accruing loans to total loans plus other real estate owned and repossessions		0.42%			0.62%	

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

Impaired Loans and Allowance for Loan Losses

As of September 30, 2020, we had impaired loans of $93.8 million inclusive of nonaccrual loans, an increase of $50.7 million from $43.1 million as of December 31, 2019. This increase is primarily attributable to four commercial relationships newly classified as impaired during 2020. Substandard loans are detailed in Note 5, *"Loans"*, within the credit quality indicator table. While total impaired loans have increased, our overall collateral exposure on these impairments has remained consistent. We allocated $9.6 million of our allowance for loan losses at September 30, 2020 to these impaired loans, a decrease of $0.2 million compared to December 31, 2019. A loan is considered impaired, based on current information and events, if it is probable that we will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the original loan agreement. Impairment does not always indicate credit loss, but provides an indication of collateral exposure based on prevailing market conditions and third-party valuations. Impaired loans are measured by either the present value of expected future cash flows discounted at the interest rate implicit in the original loan agreement, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral-dependent. The amount of impairment, if any, and subsequent changes are included in the allowance for loan losses. Interest on accruing loans is recognized as long as such loans do not meet the criteria for nonaccrual status. Our credit administration team performs verification and testing to ensure appropriate identification of impaired loans and that proper reserves are held on these loans.

Of the $93.8 million of impaired loans reported as of September 30, 2020, $73.8 million were commercial, financial and agricultural loans, $587,000 were real estate construction loans and $19.4 million were real estate mortgage loans.

Deposits

Total deposits were $9.67 billion at September 30, 2020, an increase of $2.14 billion, or 29%, over $7.53 billion at December 31, 2019. Increased growth rates during 2020 have been the result of Paycheck Protection Program ("PPP") lending in which our borrowers have retained portions of their proceeds in the Bank. We anticipate long-term sustainable growth in deposits through continued development of market share in our less mature markets and through organic growth in our mature markets.

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

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

	September 30, 2020		December 31, 2019	
Noninterest-bearing demand	$ 2,762,814	28.56%	$ 1,749,879	23.24%
Interest-bearing demand	6,030,311	62.34%	4,986,193	66.21%
Savings	85,916	0.89%	65,808	0.87%
Time deposits, $250,000 and under	276,127	2.85%	267,221	3.55%
Time deposits, over $250,000	468,615	4.84%	461,332	6.13%
Brokered time deposits	50,000	0.52%	-	-%
	$ 9,673,783	100.00%	$ 7,530,433	100.00%

Other Borrowings

Our borrowings consist of federal funds purchased and subordinated notes payable. We had $669.3 million and $470.7 million at September 30, 2020 and December 31, 2019, respectively, in federal funds purchased from correspondent banks that are clients of our correspondent banking unit. The average rate paid on these borrowings was 0.22% for the quarter ended September 30, 2020. Other borrowings consist of the following:

- $34.75 million of 5% Subordinated Notes due July 15, 2025, which were issued in a private placement in July 2015 and pay interest semi-annually; and
- $30.0 million of 4.5% Subordinated Notes due November 8, 2027, which were issued in a private placement in November 2017 and pay interest semi-annually.

During the fourth quarter of 2020, we expect to redeem the $34.75 million of 5% Subordinated Notes due July 15, 2025 in full, and issue $34.75 million of 4% Subordinated Notes.

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, 2020, liquid assets, which are represented by cash and due from banks, federal funds sold and unpledged available-for-sale securities, totaled $2.13 billion. At September 30, 2020, the Bank had borrowing availability of approximately $923.0 million in unused federal funds lines of credit with regional banks, subject to certain restrictions and collateral requirements. Additionally, the Bank had $2.84 billion in available lines from the Federal Reserve Bank-Atlanta. $1.79 billion of these lines from the Federal Reserve Bank-Atlanta are collateralized by loans of the Bank. The remaining $1.05 billion are collateralized by PPP loans originated by the Bank. We believe these sources of funding are adequate to meet our anticipated funding needs. Our management meets on a quarterly basis to review sources and uses of funding to determine the appropriate strategy to ensure an appropriate level of liquidity. At the current time, our long-term liquidity needs primarily relate to funds required to support loan originations and commitments and deposit withdrawals. Our regular sources of funding are from the growth of our deposit base, correspondent banking relationships and related federal funds purchased, repayment of principal and interest on loans, the sale of loans and the renewal of time deposits. In addition, we have issued debt as described above under "Other Borrowings".

We are subject to general FDIC guidelines that require a minimum level of liquidity. Management believes our liquidity ratios meet or exceed these guidelines. Our management is not currently aware of any trends or demands that are reasonably likely to result in liquidity materially increasing or decreasing. However, uncertainties brought about by the COVID-19 pandemic may adversely affect our ability to obtain funding or may increase the cost of funding.

The following table reflects the contractual maturities of our term liabilities as of September 30, 2020. The amounts shown do not reflect any early withdrawal or prepayment assumptions.

		Payments due by Period			
	Total	1 year or less	Over 1 - 3 years	Over 3 - 5 years	Over 5 years
			(In Thousands)		
Contractual Obligations (1)					
Deposits without a stated maturity	$ 8,879,041	$ -	$ -	$ -	$ -
Certificates of deposit (2)	744,742	458,475	248,499	37,768	-

Brokered certificates of deposit	50,000	-	50,000	-	-
Federal funds purchased	669,350	669,350	-	-	-
Subordinated debentures	64,750	-	-	-	64,750
Operating lease commitments	11,105	2,533	4,567	2,317	1,688
Total	$ 10,418,988	$ 1,130,358	$ 303,066	$ 39,785	$ 66,438

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

Capital Adequacy

Total stockholders' equity attributable to us at September 30, 2020 was $949.1 million, or 8.33% of total assets. At December 31, 2019, total stockholders' equity attributable to us was $842.2 million, or 9.41% of total assets.

As of September 30, 2020, our most recent notification from the FDIC categorized us as well-capitalized under the regulatory framework for prompt corrective action. To remain categorized as well-capitalized, we must maintain minimum total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios.

The final rules implementing the Basel Committee on Banking Supervision's capital guidelines for U.S. banks (Basel III rules) became effective January 1, 2015, subject to a phase-in period for certain aspects of the new rules. In order to avoid restrictions on capital distributions and discretionary bonus payments to executives, under the new rules a covered banking organization is also required to maintain a "capital conservation buffer" in addition to its minimum risk-based capital requirements. This buffer is required to consist solely of common equity Tier 1, and the buffer applies to all three risk-based measurements (CET1, Tier 1 capital and total capital). The capital conservation buffer was phased in incrementally over time, beginning January 1, 2016 and became fully effective on January 1, 2019. As of January 1, 2019, an additional amount of Tier 1 common equity equal to 2.5% of risk-weighted assets is required for compliance with the capital conservation buffer. The ratios for the Company and the Bank are currently sufficient to satisfy the fully phased-in conservation buffer.

The following table sets forth (i) the capital ratios required by the FDIC and the Alabama Banking Department's leverage ratio requirement and (ii) our actual ratios, not including the capital conservation buffer, of capital to total regulatory or risk-weighted assets, as of September 30, 2020, December 31, 2019 and September 30, 2019:

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Dollars in Thousands)			
As of September 30, 2020						
CET 1 Capital to Risk-Weighted Assets:						
Consolidated	$ 916,373	11.24%	$ 366,802	4.50%	N/A	N/A
ServisFirst Bank	978,584	12.01%	366,724	4.50%	$ 529,712	6.50%
Tier 1 Capital to Risk-Weighted Assets:						
Consolidated	916,873	11.25%	489,070	6.00%	N/A	N/A
ServisFirst Bank	979,084	12.01%	488,965	6.00%	651,953	8.00%
Total Capital to Risk-Weighted Assets:						
Consolidated	1,067,583	13.10%	652,093	8.00%	N/A	N/A
ServisFirst Bank	1,072,024	13.15%	651,953	8.00%	814,941	10.00
Tier 1 Capital to Average Assets:						
Consolidated	916,873	8.22%	446,428	4.00%	N/A	N/A
ServisFirst Bank	979,084	8.78%	446,243	4.00%	557,804	5.00%
As of December 31, 2019						
CET 1 Capital to Risk-Weighted Assets:						
Consolidated	$ 822,396	10.50%	$ 342,283	4.50%	N/A	N/A
ServisFirst Bank	885,172	11.30%	342,269	4.50%	$ 494,389	6.50%
Tier 1 Capital to Risk-Weighted Assets:						
Consolidated	822,896	10.50%	456,377	6.00%	N/A	N/A
ServisFirst Bank	885,674	11.31%	456,359	6.00%	608,479	8.00%
Total Capital to Risk-Weighted Assets:						
Consolidated	964,683	12.31%	608,502	8.00%	N/A	N/A
ServisFirst Bank	962,758	12.29%	608,479	8.00%	760,598	10.00%
Tier 1 Capital to Average Assets:						
Consolidated	822,896	9.13%	356,012	4.00%	N/A	N/A
ServisFirst Bank	885,674	9.83%	355,998	4.00%	444,997	5.00%
As of September 30, 2019						
CET 1 Capital to Risk-Weighted Assets:						
Consolidated	$ 790,168	10.39%	$ 342,283	4.50%	N/A	N/A
ServisFirst Bank	852,807	11.21%	342,269	4.50%	$ 494,389	6.50%
Tier 1 Capital to Risk-Weighted Assets:						
Consolidated	790,670	10.39%	456,377	6.00%	N/A	N/A
ServisFirst Bank	853,309	11.22%	456,359	6.00%	608,479	8.00%
Total Capital to Risk-Weighted Assets:						
Consolidated	933,055	12.27%	608,502	8.00%	N/A	N/A
ServisFirst Bank	931,001	12.24%	608,479	8.00%	760,598	10.00%
Tier 1 Capital to Average Assets:						
Consolidated	790,670	8.88%	356,012	4.00%	N/A	N/A
ServisFirst Bank	853,309	9.59%	355,998	4.00%	444,997	5.00%

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

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

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

Off-Balance Sheet Arrangements

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

Our exposure to credit loss in the event of non-performance by the other party to such financial instruments is represented by the contractual or notional amount of those instruments. We use the same credit policies in making commitments and conditional obligations as we do for on-balance sheet instruments. As of September 30, 2020, we have reserved $500,000 for losses on such off-balance sheet arrangements consistent with guidance in the FRB's Interagency Policy Statement SR 06-17.

As part of our mortgage operations, we originate and sell certain loans to investors in the secondary market. We continue to experience a manageable level of investor repurchase demands. For loans sold, we have an obligation to either repurchase the outstanding principal balance of a loan or make the purchaser whole for the economic benefits of a loan if it is determined that the loans sold were in violation of representations and warranties made by the Bank at the time of the sale. Representations and warranties typically include those made regarding loans that had missing or insufficient file documentation or loans obtained through fraud by borrowers or other third parties such as appraisers. We had a reserve of $558,000 as of September 30, 2020 and $370,000 as of December 31, 2019 for the settlement of any repurchase demands by investors.

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

	September 30, 2020 (In Thousands)	December 31, 2019 (In Thousands)
Commitments to extend credit	$ 2,557,139	$ 2,303,788
Credit card arrangements	247,976	248,617
Standby letters of credit	72,138	48,394
	$ 2,877,253	$ 2,600,799

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

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

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

Results of Operations

Summary of Net Income

Net income and net income available to common stockholders for the three months ended September 30, 2020 was $43.4 million compared to net income and net income available to common stockholders of $37.6 million for the three months ended September 30, 2019. Net income and net income available to common stockholders for the nine months ended September 30, 2020 was $118.6 million compared to net income and net income available to common stockholders of $108.2 million for the nine months ended September 30, 2019. The increase in net income for the three months ended September 30, 2020 over the same period in 2019 was primarily attributable to a $12.1 million increase in net interest income resulting from a $2.15 billion increase in average earning assets, and a $2.0 million increase in non-interest income, led by increased mortgage banking revenue. The same key drivers contributed to the increase in net income for the nine months ended September 30, 2020 compared to 2019 resulting in a $34.1 million increase in net interest income on a $1.65 billion increase in average earning assets, and a $4.9 million increase in non-interest income. Increases in provision for loan losses of $5.3 million and $19.4 million, increases in non-interest expense of $1.4 million and $6.8 million and increases in income tax expense of $1.5 million and $2.5 million, respectively, for the three and nine months ended September 30, 2020 compared to 2019 partially offset increases in income.

Basic and diluted net income per common share were $0.80 for the three months ended September 30, 2020, compared to $0.70 and $0.69, respectively, for the corresponding period in 2019. Basic and diluted net income per common share were $2.20 and $2.19, respectively, for the nine months ended September 30, 2020, compared to $2.02 and $2.00, respectively, for the corresponding period in 2019. Return on average assets for the three and nine months ended September 30, 2020 was 1.54% compared to 1.67% and 1.70%, respectively, for the corresponding periods in 2019. Return on average common stockholders' equity for the three and nine months ended September 30, 2020 was 18.43% and 17.73%, respectively, compared to 18.69% and 18.93%, respectively, for the corresponding periods in 2019.

Net Interest Income and Net Interest Margin Analysis

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

Taxable-equivalent net interest income increased $12.1 million, or 16.6%, to $85.2 million for the three months ended September 30, 2020 compared to $73.1 million for the corresponding period in 2019, and increased $34.2 million, or 16.1%, to $246.2 million for the nine months ended September 30, 2020 compared to $212.0 million for the corresponding period in 2019. This increase was primarily attributable to growth in average earning assets, which increased $2.15 billion, or 25.0%, from the third quarter of 2019 to the third quarter of 2020, and $1.65 billion, or 20.1%, from the nine months ended September 30, 2019 to the same period in 2020. The taxable-equivalent yield on interest-earning assets decreased to 3.55% for the three months ended September 30, 2020 from 4.65% for the corresponding period in 2019, and decreased to 3.90% for the nine months ended September 30, 2020 from 4.76% for the corresponding period in 2019. The yield on loans for the three months ended September 30, 2020 was 4.26% compared to 5.17% for the corresponding period in 2019, and 4.47% compared to 5.22% for the nine months ended September 30, 2020 and September 30, 2019, respectively. The cost of total interest-bearing liabilities decreased to 0.59% for the three months ended September 30, 2020 compared to 1.73% for the corresponding period in 2019, and decreased to 0.81% for the nine months ended September 30, 2020 from 1.77% for the corresponding period in 2019. Net interest margin for the three months ended September 30, 2020 was 3.14% compared to 3.36% for the corresponding period in 2019, and 3.33% for the nine months ended September 30, 2020 compared to 3.45% for the corresponding period in 2019.

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

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

	2020			2019		
	Average Balance	Interest Earned / Paid	Average Yield / Rate	Average Balance	Interest Earned / Paid	Average Yield / Rate
Assets:						
Interest-earning assets:						
Loans, net of unearned income (1)(2)						
Taxable	$ 8,335,087	$ 89,236	4.26%	$ 6,927,075	$ 90,426	5.18%
Tax-exempt (3)	30,068	313	4.14	34,195	343	3.98
Total loans, net of unearned income	8,365,155	89,549	4.26	6,961,270	90,769	5.17
Mortgage loans held for sale	20,053	71	1.41	6,482	40	2.45
Investment securities:						
Taxable	820,526	5,858	2.86	595,405	4,367	2.93
Tax-exempt (3)	31,880	200	2.51	59,992	332	2.21
Total investment securities (4)	852,406	6,058	2.84	655,397	4,699	2.87
Federal funds sold	41,884	16	0.15	312,968	1,768	2.24
Interest-bearing balances with banks	1,500,563	506	0.13	690,973	3,912	2.25
Total interest-earning assets	$ 10,780,061	$ 96,200	3.55	$ 8,627,090	$ 101,188	4.65
Non-interest-earning assets:						
Cash and due from banks	75,065			71,418		
Net fixed assets and equipment	56,799			58,243		
Allowance for loan losses, accrued interest and other assets	281,196			162,654		
Total assets	$ 11,193,121			$ 8,919,405		
Liabilities and stockholders' equity:						
Interest-bearing liabilities:						
Interest-bearing demand deposits	$ 1,077,595	$ 840	0.31%	$ 900,754	$ 1,904	0.84%
Savings deposits	82,671	75	0.36	57,431	87	0.60
Money market accounts	4,739,566	5,188	0.44	4,265,435	18,900	1.76
Time deposits	841,378	3,773	1.78	703,278	3,897	2.20
Total interest-bearing deposits	6,741,210	9,876	0.58	5,926,898	24,788	1.66
Federal funds purchased	682,971	375	0.22	441,526	2,557	2.30
Other borrowings	64,717	777	4.77	64,689	781	4.79
Total interest-bearing liabilities	$ 7,488,898	$ 11,028	0.59%	$ 6,433,113	$ 28,126	1.73%
Non-interest-bearing liabilities:						
Non-interest-bearing demand deposits	2,728,513			1,654,928		
Other liabilities	39,537			34,070		
Stockholders' equity	917,626			792,284		
Accumulated other comprehensive gain	18,547			5,010		
Total liabilities and stockholders' equity	$ 11,193,121			$ 8,919,405		
Net interest income		$ 85,172			$ 73,062	
Net interest spread			2.96%			2.92%
Net interest margin			3.14%			3.36%

(1) Non-accrual loans are included in average loan balances in all periods. Loan fees of $5,193 and $1,573 are included in interest income in the third quarter of 2020 and 2019, respectively. Loan fees in 2020 include accretion of PPP loan fees.
(2) Net accretion on acquired loan discounts of $100 is included in interest income in the third quarter of 2020.
(3) Interest income and yields are presented on a fully taxable equivalent basis using a tax rate of 21%.
(4) Unrealized gains of $23,418 and $6,287 are excluded from the yield calculation in the third quarter of 2020 and 2019, respectively.

	For the Three Months Ended September 30, 2020 Compared to 2019 Increase (Decrease) in Interest Income and Expense Due to Changes in:		
	Volume	Rate	Total
		(In Thousands)	
Interest-earning assets:			
Loans, net of unearned income			
Taxable	$ 16,461	$ (17,651)	$ (1,190)
Tax-exempt	(43)	13	(30)
Total loans, net of unearned income	16,418	(17,638)	(1,220)
Mortgages held for sale	54	(23)	31
Debt securities:			
Taxable	1,598	(107)	1,491
Tax-exempt	(172)	40	(132)
Total debt securities	1,426	(67)	1,359
Federal funds sold	(844)	(908)	(1,752)
Interest-bearing balances with banks	2,180	(5,586)	(3,406)
Total interest-earning assets	19,234	(24,222)	(4,988)
Interest-bearing liabilities:			
Interest-bearing demand deposits	316	(1,380)	(1,064)
Savings	30	(42)	(12)
Money market accounts	1,885	(15,597)	(13,712)
Time deposits	684	(808)	(124)
Total interest-bearing deposits	2,915	(17,827)	(14,912)
Federal funds purchased	917	(3,099)	(2,182)
Other borrowed funds	-	(4)	(4)
Total interest-bearing liabilities	3,832	(20,930)	(17,098)
Increase in net interest income	$ 15,402	$ (3,292)	$ 12,110

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

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

	2020			2019		
	Average Balance	Interest Earned / Paid	Average Yield / Rate	Average Balance	Interest Earned / Paid	Average Yield / Rate
Assets:						
Interest-earning assets:						
Loans, net of unearned income (1)(2)						
Taxable	$ 7,989,750	$ 267,354	4.47%	$ 6,752,945	$ 263,942	5.23%
Tax-exempt (3)	31,512	968	4.10	32,312	934	3.86
Total loans, net of unearned income	8,021,262	268,322	4.47	6,785,257	264,876	5.22
Mortgage loans held for sale	12,565	164	1.74	4,452	116	3.48
Investment securities:						
Taxable	777,662	16,104	2.77	560,230	12,306	2.94
Tax-exempt (3)	38,014	709	2.49	74,864	1,201	2.14
Total investment securities (4)	815,676	16,813	2.75	635,094	13,507	2.84
Federal funds sold	76,733	327	0.57	276,898	4,985	2.41
Interest-bearing balances with banks	941,817	2,584	0.37	514,527	9,269	2.41
Total interest-earning assets	$ 9,868,053	$ 288,210	3.90%	$ 8,216,228	$ 292,753	4.76%
Non-interest-earning assets:						
Cash and due from banks	72,482			74,185		
Net fixed assets and equipment	57,435			58,565		
Allowance for loan losses, accrued interest and other assets	258,263			156,332		
Total assets	$ 10,256,233			$ 8,505,310		
Liabilities and stockholders' equity:						
Interest-bearing liabilities:						
Interest-bearing demand deposits	$ 1,009,332	$ 3,061	0.41%	$ 917,609	$ 5,911	0.86%
Savings deposits	74,095	233	0.42	55,315	236	0.57
Money market accounts	4,363,630	21,871	0.67	3,987,210	53,831	1.81
Time deposits	841,583	12,212	1.94	698,905	11,194	2.14
Total interest-bearing deposits	6,288,640	37,377	0.79	5,659,039	71,172	1.68
Federal funds purchased	583,232	2,286	0.52	391,471	7,233	2.47
Other borrowings	64,712	2,338	4.83	64,680	2,343	4.84
Total interest-bearing liabilities	$ 6,936,584	$ 42,001	0.81%	$ 6,115,190	$ 80,748	1.77%
Non-interest-bearing liabilities:						

Non-interest-bearing demand deposits	2,376,029			1,591,184		
Other liabilities	50,328			34,866		
Stockholders' equity	878,271			764,087		
Accumulated other comprehensive gain (loss)	15,021			(17)		
Total liabilities and stockholders' equity	$ 10,256,233			$ 8,505,310		
Net interest income		$ 246,209			$ 212,005	
Net interest spread			3.09%			2.99%
Net interest margin			3.33%			3.45%

(1) Non-accrual loans are included in average loan balances in all periods. Loan fees of $10,123 and $3,461 are included in interest income in 2020 and 2019, respectively. Loan fees in 2020 include accretion of PPP loan fees.
(2) Accretion on acquired loan discounts of $100 and $91 are included in interest income in 2020 and 2019, respectively.
(3) Interest income and yields are presented on a fully taxable equivalent basis using a tax rate of 21%.
(4) Unrealized gains of $18,955 and $77 are excluded from the yield calculation in 2020 and 2019, respectively.

	For the Nine Months Ended September 30, 2020 Compared to 2019 Increase (Decrease) in Interest Income and Expense Due to Changes in:		
	Volume	Rate	Total
		(In Thousands)	
Interest-earning assets:			
Loans, net of unearned income			
Taxable	$ 44,611	$ (41,199)	$ 3,412
Tax-exempt	(23)	57	34
Total loans, net of unearned income	44,588	(41,142)	3,446
Mortgages held for sale	129	(81)	48
Debt securities:			
Taxable	4,549	(751)	3,798
Tax-exempt	(663)	171	(492)
Total debt securities	3,886	(580)	3,306
Federal funds sold	(2,265)	(2,393)	(4,658)
Interest-bearing balances with banks	4,477	(11,162)	(6,685)
Total interest-earning assets	50,815	(55,358)	(4,543)
Interest-bearing liabilities:			
Interest-bearing demand deposits	542	(3,392)	(2,850)
Savings	68	(71)	(3)
Money market accounts	4,676	(36,636)	(31,960)
Time deposits	2,146	(1,128)	1,018
Total interest-bearing deposits	7,432	(41,227)	(33,795)
Federal funds purchased	2,477	(7,424)	(4,947)
Other borrowed funds	1	(6)	(5)
Total interest-bearing liabilities	9,910	(48,657)	(38,747)
Increase in net interest income	$ 40,905	$ (6,701)	$ 34,204

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

Provision for Loan Losses

The provision for loan losses was $12.3 million for the three months ended September 30, 2020, an increase of $5.3 million from $7.0 million for the three months ended September 30, 2019, and was $36.2 million for the nine months ended September 30, 2020, a $19.4 million increase compared to $16.8 million for the nine months ended September 30, 2019. Annualized net credit charge-offs to quarter-to-date average loans increased five basis points to 0.54% for the third quarter of 2020 compared to 0.49% for the corresponding period in 2019 and increased three basis points to 0.34% for the nine months ended September 30, 2020 compared to 0.31% for the corresponding period in 2019. Nonperforming loans decreased to $26.6 million, or 0.31% of total loans, at September 30, 2020 from $36.1 million, or 0.50% of total loans, at December 31, 2019, and were $41.0 million, or 0.58% of total loans, at September 30, 2019. Impaired loans increased to $93.8 million, or 1.10% of total loans, at September 30, 2020, compared to $43.1 million, or 0.59% of total loans, at December 31, 2019. An additional qualitative factor was incorporated beginning in the second quarter of 2020 due to COVID-19 and its effect on overall macroeconomic conditions. This COVID-19 qualitative factor totaled $14.9 million at June 30, 2020 and totaled $11.3 million at September 30, 2020. This decrease of $3.6 million was primarily due to improvement in the national unemployment rate at the end of the third quarter of 2020. The allowance for loan losses totaled $92.4 million, or 1.09% of total loans, net of unearned income, at September 30, 2020, compared to $76.6 million, or 1.05% of loans, net of unearned income, at December 31, 2019.

Noninterest Income

Noninterest income totaled $8.2 million for the three months ended September 30, 2020, an increase of $2.0 million, or 31.6%, compared to the corresponding period in 2019, and totaled $21.9 million for the nine months ended September 30, 2020, an increase of $4.9 million, or 29.2%, compared to the corresponding period in 2019. Mortgage banking income increased $1.2 million, or 89.0%, to $2.5 million for the three months ended September 30, 2020 compared to $1.3 million for the same period in 2019, and increased $2.7 million, or 90.2%, to $5.7 million for the nine months ended September 30, 2020 compared to $3.0 million for the same period in 2019. The number of loans originated for sale to investors during first nine months of 2020 increased approximately 67% when compared to the same period in 2019. Credit card income decreased $28,000 to $1.8 million for the three months ended September 30, 2020 compared to the same period in 2019, and decreased $182,000 to $5.0 million for the nine months ended September 30, 2020 compared to the same period in 2019. The amount of spend on purchase cards increased $23.0 million while the amount of spend on business credit cards decreased $8.0 million during the third quarter of 2020 when compared to the third quarter of 2019. Purchase card spend carries lower profit margins than credit cards due to their higher rebates.

Noninterest Expense

Noninterest expense totaled $26.6 million for the three months ended September 30, 2020, an increase of $1.4 million, or 5.6%, compared to $25.2 million for the same period in 2019, and totaled $83.3 million for the nine months ended September 30, 2020, an increase of $6.8 million, or 8.9%, compared to $76.5 million for the same period in 2019.

Details of expenses are as follows:

- Salary and benefit expense decreased $505,000, or 3.3%, to $15.0 million for the three months ended September 30, 2020 from $15.5 million for the same period in 2019, and increased $2.3 million, or 5.3%, to $46.4 million for the nine months ended September 30, 2020 from $44.1 million for the same period in 2019. Total employees decreased from 511 as of September 30, 2019 to 496 as of September 30, 2020, or 2.9%.

- Equipment and occupancy expense increased $169,000, or 7.1%, to $2.6 million for the three months ended September 30, 2020 from $2.4 million for the corresponding period in 2019, and increased $457,000, or 6.6%, to $7.4 million from $6.9 million for the nine months ended September 30, 2020 compared to the corresponding period in 2019.

- Third party processing and other services increased $358,000, or 12.2%, to $3.3 million for the three months ended September 30, 2020 from $2.9 million for the corresponding period in 2019, and increased $2.3 million, or 28.6%, to $10.4 million from $8.1 million for the nine months ended September 30, 2020 compared to the corresponding period in 2019. Limited-term licenses were added to our loan origination systems to enable more employees to assist customers with their PPP loans in 2020 which added $514,000 to third party processing expenses.

- Professional services expense increased $68,000, or 7.7%, to $1.0 million for the three months ended September 30, 2020 compared to the same period in 2019, and decreased $78,000, or 2.5%, to $3.0 million for the nine months ended September 30, 2020 compared to the same period in 2019.

- FDIC and other regulatory assessments increased $1.4 million to $1.1 million for the three months ended September 30, 2020 compared to the same period in 2019, and increased $1.2 million to $3.0 million for the nine months ended September 30, 2020 compared to the same period in 2019. We recognized a credit of $296,000 during the third quarter of 2019 as a result of the FDIC's Small Bank Assessment Credit.

- OREO expense increased $41,000, or 52.6%, to $119,000 for the three months ended September 30, 2020 compared to the same period in 2019, and increased $1.2 million, or 548%, to $2.0 million for the nine months ended September 30, 2020 compared to the same period in 2019. Updated appraisals resulted in write-downs in values on two properties in our Birmingham, Alabama market during the second quarter of 2020.

- Other operating expenses decreased $76,000, or 2.1%, to $3.6 million for the three months ended September 30, 2020 compared to the same period in 2019, and decreased $1.1 million, or 9.1%, to $11.1 million for the nine months ended September 30, 2020 compared to the same period in 2019. Decreased lending expenses in 2020 are the result of lower loan demand due to the COVID-19 pandemic. Decreases in business development expenses in 2020 are also the resulted of the pandemic. Lower write downs in tax credit partnership investments resulted from extinguishment of partnerships at the end of 2019.

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

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2020	2019	$ change	% change	2020	2019	$ change	% change
Non-interest income:								
Service charges on deposit accounts	$ 1,818	$ 1,735	$ 83	4.8%	$ 5,557	$ 5,223	$ 334	6.4%
Mortgage banking	2,519	1,333	1,186	89.0%	5,697	2,995	2,702	90.2%
Credit card income	1,840	1,868	(28)	(1.5%)	5,003	5,185	(182)	(3.5%)
Securities gains	-	34	(34)	(100.0%)	-	28	(28)	(100.0%)
Increase in cash surrender value life insurance	1,733	787	946	120.2%	4,650	2,327	2,323	99.8%
Other operating income	262	453	(191)	(42.2%)	972	1,172	(200)	(17.1%)
Total non-interest income	$ 8,172	$ 6,210	$ 1,962	31.6%	$ 21,879	$ 16,930	$ 4,949	29.2%
Non-interest expense:								
Salaries and employee benefits	$ 14,994	$ 15,499	$ (505)	(3.3%)	$ 46,444	$ 44,103	$ 2,341	5.3%
Equipment and occupancy expense	2,556	2,387	169	7.1%	7,390	6,933	457	6.6%
Third party processing and other services	3,281	2,923	358	12.2%	10,360	8,058	2,302	28.6%
Professional services	955	887	68	7.7%	2,994	3,072	(78)	(2.5%)
FDIC and other regulatory assessments	1,061	(296)	1,357	(458.4%)	2,988	1,804	1,184	65.6%
OREO expense	119	78	41	52.6%	2,023	312	1,711	548.4%
Other operating expense	3,607	3,683	(76)	(2.1%)	11,110	12,227	(1,117)	(9.1%)
Total non-interest expense	$ 26,573	$ 25,161	$ 1,412	5.6%	$ 83,309	$ 76,509	$ 6,800	8.9%

Income Tax Expense

Income tax expense was $11.0 million for the three months ended September 30, 2020 compared to $9.5 million for the same period in 2019, and was $29.8 million for the nine months ended September 30, 2020 compared to $27.3 million for the same period in 2019. Our effective tax rate for the three and nine months ended September 30, 2020 was 20.3% and 20.1%, respectively, compared to 20.2% and 20.2% for the corresponding periods in 2019, respectively. We recognized excess tax benefits as a credit to our income tax expense from the exercise and vesting of stock options and restricted stock during the three and nine months ended September 30, 2020 of $180,000 and $1.4 million, respectively, compared to $231,000 and $1.2 million during the three and nine months ended September 30, 2019, respectively. Our primary permanent differences are related to tax exempt income on securities, state income tax benefit on real estate investment trust dividends, various qualifying tax credits and change in cash surrender value of bank-owned life insurance.

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

ITEM 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, 2019, and there have been no material changes to our sensitivity to changes in interest rates since December 31, 2019, as disclosed in our Annual Report on Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES

CEO and CFO Certification.

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

Evaluation of Disclosure Controls and Procedures.

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

We conducted an evaluation (the "Evaluation") of the effectiveness of the design and operation of our disclosure controls and procedures under the supervision and with the participation of our management, including our CEO and CFO, as of September 30, 2020. Based upon the Evaluation, our CEO and CFO have concluded that, as of September 30, 2020, our disclosure controls and procedures are effective to ensure that material information relating to the Company. and its subsidiaries is made known to management, including the CEO and CFO, particularly during the period when our periodic reports are being prepared.

Changes in Internal Control Over Financial Reporting

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

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

Our business is influenced by many factors that are difficult to predict, involve uncertainties that may materially affect actual results and are often beyond our control. We have identified a number of these risk factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, which should be taken into consideration when reviewing the information contained in this report. There have been no material changes in the Company's risk factors from those disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2019, with the exception of:

The ongoing COVID-19 pandemic and measures intended to prevent its spread may adversely affect our business, financial condition and operations, and such effects will depend on future developments, which are highly uncertain and are difficult to predict.

Global health and economic concerns relating to the COVID-19 outbreak and government actions taken to reduce the spread of the virus have had a material adverse impact on the macroeconomic environment, and the outbreak has significantly increased economic uncertainty. The pandemic has resulted in federal, state and local authorities, including those who govern the markets in which we operate, implementing numerous measures to try to contain the virus. Such measures have included travel bans and restrictions, curfews, quarantines, shelter in place or total lock-down orders and business limitations and shutdowns. Such measures have significantly contributed to rising unemployment and negatively impacted consumer and business spending. The United States government has taken steps to attempt to mitigate some of the more severe anticipated economic effects of the virus, including the passage of the CARES Act, but there can be no assurance that such steps will be effective or achieve their desired results in the near future.

The outbreak has adversely impacted and is likely to continue to adversely impact our workforce and operations and the operations of our customers and business partners. In particular, we may experience financial losses due to a number of operational factors impacting us or our customers or business partners, including but not limited to:

- Credit losses resulting from financial stress experienced by our borrowers, especially those operating in industries most hard hit by government measures to contain the spread of the virus;
- Possible business disruptions experienced by our vendors and business partners in carrying out work that supports our operations;
- Heightened levels of cyber and payment fraud, as cyber criminals try to take advantage of the disruption and increased online activity brought about by the pandemic; and,
- Operational failures due to changes in our normal business practices necessitated by our internal measures to protect our employees and government-mandated measures intended to slow the spread of the virus.

These factors may exist for an extended period of time and may continue to adversely affect our business, financial condition and operations even after the COVID-19 outbreak has subsided.

The extent to which the pandemic impacts our business, financial condition and operations will depend on future developments, which are highly uncertain and are difficult to predict, including, but not limited to, its duration and severity, the actions to contain it or treat its impact, and how quickly and to what extent normal economic and operating conditions can resume. Even after the pandemic has subsided, we may continue to experience materially adverse impacts to our business as a result of its economic impact, including the availability of credit, adverse impacts on our liquidity and any recession that has occurred or may occur in the future. Additionally, future outbreaks of COVID-19, or other viruses, may occur.

There are no comparable recent events that provide guidance as to the effect the spread of COVID-19 as a global pandemic may have, and, as a result, the ultimate impact of the pandemic is highly uncertain and subject to change. We do not yet know the full extent of the impacts on our business, our operations or the global economy as a whole. Therefore, the risk factors discussed in our Annual Report on Form 10-K could be heightened, changed or be added to in the future. 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
31.01	Certification of principal executive officer pursuant to Rule 13a-14(a).
31.02	Certification of principal financial officer pursuant to Rule 13a-14(a).
32.01	Certification of principal executive officer pursuant to 18 U.S.C. Section 1350.
32.02	Certification of principal financial officer pursuant to 18 U.S.C. Section 1350.
101.INS	XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURES

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

SERVISFIRST BANCSHARES, INC.

Date: October 28, 2020 By /s/ Thomas A. Broughton III
Thomas A. Broughton III
President and Chief Executive Officer

Date: October 28, 2020 By /s/ William M. Foshee
William M. Foshee
Chief Financial Officer

Exhibit 31.01

Section 302 Certification of the CEO

I, Thomas A. Broughton III, certify that:

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

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

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

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

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

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

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

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

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

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 28, 2020

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

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

Exhibit 31.02

Section 302 Certification of the CFO

I, William M. Foshee, certify that:

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

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

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

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

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

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

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

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

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

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 28, 2020

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

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

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, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Date: October 28, 2020

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

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

Exhibit 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, 2020, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Date: October 28, 2020

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

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