

ServisFirst Bancshares, Inc.
Form 10-Q
April 30, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one)

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2019

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)

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Delaware **26-0734029**
(State or Other Jurisdiction of (I.R.S. Employer
Incorporation or Organization) 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:

<u>Title of each class</u>	<u>Trading symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common stock, par value \$.001 per share	SFBS	The NASDAQ Stock Market LLC

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

None

(Title of Class)

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

Indicate by check mark whether the registrant has submitted electronically 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 and post such files).
Yes No

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

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

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

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

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

<u>Class</u>	<u>Outstanding as of April 26, 2019</u>
Common stock, \$.001 par value	53,511,182

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PART 1. FINANCIAL INFORMATION**ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS****SERVISFIRST BANCSHARES, INC.****CONSOLIDATED BALANCE SHEETS****(In thousands, except share and per share amounts)**

	March 31, 2019 (Unaudited)	December 31, 2018 (1)
ASSETS		
Cash and due from banks	\$71,058	\$97,516
Interest-bearing balances due from depository institutions	547,036	360,534
Federal funds sold	181,435	223,845
Cash and cash equivalents	799,529	681,895
Available for sale debt securities, at fair value	631,696	590,184
Held to maturity debt securities (fair value of \$250 at March 31, 2019)	250	-
Mortgage loans held for sale	1,223	120
Loans	6,659,908	6,533,499
Less allowance for loan losses	(70,207)	(68,600)
Loans, net	6,589,701	6,464,899
Premises and equipment, net	57,664	57,822
Accrued interest and dividends receivable	26,998	24,070
Deferred tax assets, net	26,209	27,277
Other real estate owned and repossessed assets	5,480	5,169
Bank owned life insurance contracts	131,411	130,649
Goodwill and other identifiable intangible assets	14,381	14,449
Other assets	26,294	10,848
Total assets	\$8,310,836	\$8,007,382
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Noninterest-bearing	\$1,572,703	\$1,557,341
Interest-bearing	5,510,963	5,358,367
Total deposits	7,083,666	6,915,708
Federal funds purchased	373,378	288,725
Other borrowings	64,675	64,666
Accrued interest payable	11,476	10,381

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Other liabilities	32,055	12,699
Total liabilities	7,565,250	7,292,179
Stockholders' equity:		
Preferred stock, par value \$0.001 per share; 1,000,000 authorized and undesignated at March 31, 2019 and December 31, 2018	—	—
Common stock, par value \$0.001 per share; 100,000,000 shares authorized; 53,495,208 shares issued and outstanding at March 31, 2019, and 53,375,195 shares issued and outstanding at December 31, 2018	53	53
Additional paid-in capital	218,147	218,521
Retained earnings	527,853	500,868
Accumulated other comprehensive loss	(969)	(4,741)
Total stockholders' equity attributable to ServisFirst Bancshares, Inc.	745,084	714,701
Noncontrolling interest	502	502
Total stockholders' equity	745,586	715,203
Total liabilities and stockholders' equity	\$8,310,836	\$8,007,382

(1) Derived from audited financial statements.

See Notes to Consolidated Financial Statements.

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

	Three Months Ended March 31,	
	2019	2018
Interest income:		
Interest and fees on loans	\$85,524	\$69,674
Taxable securities	3,746	2,745
Nontaxable securities	446	656
Federal funds sold	1,219	551
Other interest and dividends	2,764	383
Total interest income	93,699	74,009
Interest expense:		
Deposits	22,145	9,621
Borrowed funds	2,776	1,952
Total interest expense	24,921	11,573
Net interest income	68,778	62,436
Provision for loan losses	4,885	4,139
Net interest income after provision for loan losses	63,893	58,297
Noninterest income:		
Service charges on deposit accounts	1,702	1,585
Mortgage banking	575	518
Credit card income	1,576	1,255
Securities gains (losses)	—	4
Increase in cash surrender value life insurance	762	777
Other operating income	327	276
Total noninterest income	4,942	4,415
Non-interest expenses:		
Salaries and employee benefits	14,265	13,296
Equipment and occupancy expense	2,259	1,954
Professional services	994	805
FDIC and other regulatory assessments	1,019	1,133
Other real estate owned expense	22	316
Other operating expenses	6,767	5,554
Total non-interest expenses	25,326	23,058
Income before income taxes	43,509	39,654
Provision for income taxes	8,499	7,051
Net income	35,010	32,603
Dividends on preferred stock	—	—

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Net income available to common stockholders	\$35,010	\$32,603
Basic earnings per common share	\$0.65	\$0.61
Diluted earnings per common share	\$0.65	\$0.60

See Notes to Consolidated Financial Statements.

SERVISFIRST BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

(Unaudited)

	Three Months Ended March 31,	
	2019	2018
Net income	\$35,010	\$32,603
Other comprehensive income (loss), net of tax:		
Unrealized holding gains (losses) arising during period from securities available for sale, net of tax of \$1,002 and \$(1,340) for 2019 and 2018, respectively	3,772	(4,910)
Reclassification adjustment for net gains on sale of securities, net of tax of \$1 for 2018	–	3
Other comprehensive income (loss), net of tax	3,772	(4,907)
Comprehensive income	\$38,782	\$27,696

See Notes to Consolidated Financial Statements.

SERVISFIRST BANCSHARES, INC.**CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY****Three Months Ended March 31, 2019 and 2018****(In thousands, except share amounts)****(Unaudited)**

	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Noncontrol- ling Interest	Total Stockholders' Equity
Balance, January 1, 2018	\$ —	\$ 53	\$ 217,693	\$ 389,554	\$ (198)	\$ 502	\$ 607,604
Common dividends declared, \$0.11 per share	—	—	—	(5,846)	—	—	(5,846)
Issue 143,833 shares of common stock upon exercise of stock options	—	—	852	—	—	—	852
30,003 shares of common stock withheld in net settlement upon exercise of stock options	—	—	(1,247)	—	—	—	(1,247)
Stock-based compensation expense	—	—	238	—	—	—	238
Other comprehensive income, net of tax	—	—	—	—	(4,907)	—	(4,907)
Net income	—	—	—	32,603	—	—	32,603
Balance, March 31, 2018	\$ —	\$ 53	\$ 217,536	\$ 416,311	\$ (5,105)	\$ 502	\$ 629,297
Balance, January 1, 2019	\$ —	\$ 53	\$ 218,521	\$ 500,868	\$ (4,741)	\$ 502	\$ 715,203
Common dividends declared, \$0.15 per share	—	—	—	(8,025)	—	—	(8,025)
Issue 117,313 shares of common stock upon exercise of stock options	—	—	797	—	—	—	797
45,187 shares of common stock withheld in net settlement upon exercise of stock options	—	—	(1,453)	—	—	—	(1,453)
Stock-based compensation expense	—	—	282	—	—	—	282
Other comprehensive loss, net of tax	—	—	—	—	3,772	—	3,772
Net income	—	—	—	35,010	—	—	35,010
Balance, March 31, 2019	\$ —	\$ 53	\$ 218,147	\$ 527,853	\$ (969)	\$ 502	\$ 745,586

See Notes to Consolidated Financial Statements.

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

	Three Months Ended March 31,	
	2019	2018
OPERATING ACTIVITIES		
Net income	\$35,010	\$32,603
Adjustments to reconcile net income to net cash provided by		
Deferred tax expense	1,068	1,554
Provision for loan losses	4,885	4,139
Depreciation	917	832
Accretion on acquired loans	(91)	(72)
Amortization of core deposit intangible	68	67
Net amortization of debt securities available for sale	626	623
(Increase) decrease in accrued interest and dividends receivable	(2,928)	400
Stock-based compensation expense	282	238
Increase in accrued interest payable	1,095	2,852
Proceeds from sale of mortgage loans held for sale	15,581	24,720
Originations of mortgage loans held for sale	(16,109)	(24,265)
Net gain on sale of debt securities available for sale	–	(4)
Gain on sale of mortgage loans held for sale	(575)	(518)
Net loss on sale of other real estate owned and repossessed assets	2	–
Write down of other real estate owned and repossessed assets	20	254
Operating losses of tax credit partnerships	35	29
Increase in cash surrender value of life insurance contracts	(762)	(777)
Net change in other assets, liabilities, and other operating activities	2,550	(3,790)
Net cash provided by operating activities	41,674	38,885
INVESTMENT ACTIVITIES		
Purchase of securities available for sale	(65,507)	(54,666)
Proceeds from maturities, calls and paydowns of securities available for sale	28,469	20,376
Proceeds from sale of debt securities available for sale	–	5,100
Purchase of debt securities held to maturity	(250)	–
Increase in loans	(129,977)	(78,664)
Purchase of premises and equipment	(759)	(556)
Proceeds from sale of other real estate owned and repossessed assets	48	874
Net cash used in investing activities	(167,976)	(107,536)
FINANCING ACTIVITIES		
Net increase (decrease) in non-interest-bearing deposits	15,362	(32,734)
Net increase (decrease) in interest-bearing deposits	152,596	(81,553)
Net increase in federal funds purchased	84,653	24,602
Repayment of Federal Home Loan Bank advances	–	(100)

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Proceeds from exercise of stock options	797	852
Taxes paid in net settlement of tax obligation upon exercise of stock options	(1,453)	(1,247)
Dividends paid on common stock	(8,019)	(2,650)
Net cash provided by (used in) financing activities	243,936	(92,830)
Net increase (decrease) in cash and cash equivalents	117,634	(161,481)
Cash and cash equivalents at beginning of period	681,895	477,586
Cash and cash equivalents at end of period	\$799,529	\$316,105
SUPPLEMENTAL DISCLOSURE		
Cash paid for:		
Interest	\$23,826	\$8,721
Income taxes	1,533	2,902
NONCASH TRANSACTIONS		
Other real estate acquired in settlement of loans	\$381	\$175
Dividends declared	8,025	5,846

See Notes to Consolidated Financial Statements.

SERVISFIRST BANCSHARES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2019

(Unaudited)

NOTE 1 - GENERAL

The accompanying consolidated financial statements in this report have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission, including Regulation S-X and the instructions for Form 10-Q, and have not been audited. These consolidated financial statements do not include all of the information and footnotes required by U.S. generally accepted accounting principles (“U.S. GAAP”) for complete financial statements. In the opinion of management, all adjustments necessary to present fairly the consolidated financial position and the consolidated results of operations for the interim periods have been made. All such adjustments are of a normal nature. The consolidated results of operations are not necessarily indicative of the consolidated results of operations which ServisFirst Bancshares, Inc. (the “Company”) 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, 2018.

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

Leases

The Company leases certain office space and equipment under operating leases. Accounting Standards Update 2016-02, “*Leases (Topic 842)*” requires that operating leases in effect as of date of adoption, January 1, 2019 for the Company, be recognized as a liability to make lease payments and as an asset representing the right to use the asset during the lease term, or “lease liability” and “right-of-use asset”, respectively. The lease liability is measured by the present value of remaining lease payments, discounted at the Company’s incremental borrowing rate.

Certain of the leases include one or more renewal options that extend the initial lease term one to five years. The exercise of lease renewal options is typically at the Company’s sole discretion; therefore, a majority of renewals to extend lease terms are not included in the right-of-use assets and lease liabilities as they are not reasonably certain to be exercised. Renewal options are regularly evaluated and when they are reasonably certain to be exercised, are

included in lease terms.

None of the Company's leases provide an implicit rate. The Company uses its incremental collateralized borrowing rate based on the information available at the lease commencement date in determining the present value of the lease payments. The present value of all existing operating leases was determined using the incremental collateralized borrowing rate on January 1, 2019.

The Company has made an accounting policy election to not apply the recognition requirements in ASU 2016-02 to short-term leases. The Company has also elected to use the practical expedients allowed by the new standard as follows: 1) forego an assessment of whether any existing contracts are or contain leases, 2) forego an assessment of the classification of existing leases as to whether they are operating leases or capital leases, and 3) forego an assessment of direct costs for any existing leases.

NOTE 2 - CASH AND CASH EQUIVALENTS

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

NOTE 3 - EARNINGS PER COMMON SHARE

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

	Three Months Ended March 31,	
	2019	2018
	(In Thousands, Except Shares and Per Share Data)	
Earnings per common share		
Weighted average common shares outstanding	53,465,091	53,082,322
Net income available to common stockholders	\$35,010	\$32,603
Basic earnings per common share	\$0.65	\$0.61
Weighted average common shares outstanding	53,465,091	53,082,322
Dilutive effects of assumed conversions and exercise of stock options and warrants	611,447	1,101,078

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Weighted average common and dilutive potential common shares outstanding	54,076,538	54,183,400
Net income available to common stockholders	\$35,010	\$32,603
Diluted earnings per common share	\$0.65	\$0.60

NOTE 4 - SECURITIES

The amortized cost and fair value of available-for-sale and held-to-maturity securities at March 31, 2019 and December 31, 2018 are summarized as follows:

	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
March 31, 2019	(In Thousands)			
Available for sale debt securities				
U.S. Treasury and government sponsored agencies	\$74,285	\$ 126	\$ (330)	\$74,081
Mortgage-backed securities	330,444	1,392	(2,460)	329,376
State and municipal securities	96,438	280	(250)	96,468
Corporate debt	131,802	508	(539)	131,771
Total	\$632,969	\$ 2,306	\$ (3,579)	\$631,696
Held to maturity debt securities				
State and municipal securities	\$250	\$ –	\$ –	\$250
Total	\$250	\$ –	\$ –	\$250
December 31, 2018				
Available for sale debt securities				
U.S. Treasury and government sponsored agencies	\$77,534	\$ 78	\$ (619)	\$76,993
Mortgage-backed securities	309,244	591	(5,531)	304,304
State and municipal securities	106,465	208	(679)	105,994
Corporate debt	102,982	668	(757)	102,893
Total	\$596,225	\$ 1,545	\$ (7,586)	\$590,184

The amortized cost and fair value of debt securities as of March 31, 2019 and December 31, 2018 by contractual maturity are shown below. Actual maturities may differ from contractual maturities of mortgage-backed securities since the mortgages underlying the securities may be called or prepaid with or without penalty. Therefore, these securities are not included in the maturity categories along with the other categories of debt securities.

	March 31, 2019		December 31, 2018	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Available for sale debt securities	(In thousands)			
Due within one year	\$35,222	\$35,168	\$38,343	\$38,225
Due from one to five years	170,094	169,701	167,873	166,380
Due from five to ten years	94,404	94,605	77,811	78,276

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Due after ten years	2,805	2,846	2,954	2,999
Mortgage-backed securities	330,444	329,376	309,244	304,304
	\$632,969	\$631,696	\$596,225	\$590,184

Held to maturity debt securities

Due from one to five years	\$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 following table identifies, as of March 31, 2019 and December 31, 2018, the Company's investment securities that have been in a continuous unrealized loss position for less than 12 months and those that have been in a continuous unrealized loss position for 12 or more months. At March 31, 2019, 328 of the Company's 752 debt securities had been in an unrealized loss position for 12 or more months. The Company does not intend to sell these securities, and it is more likely than not that the Company will not be required to sell the securities before recovery of their amortized cost, which may be maturity; accordingly, the Company does not consider these securities to be other-than-temporarily impaired at March 31, 2019. Further, the Company believes any deterioration in value of its current investment securities is attributable to changes in market interest rates and not credit quality of the issuer.

	Less Than Twelve Months		Twelve Months or More		Total	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
	(In Thousands)					
March 31, 2019						
U.S. Treasury and government sponsored agencies	\$(5)	\$1,003	\$(325)	\$47,913	\$(330)	\$48,916
Mortgage-backed securities	(203)	40,066	(2,257)	187,872	(2,460)	227,938
State and municipal securities	(24)	4,394	(226)	41,231	(250)	45,625
Corporate debt	(238)	33,466	(301)	25,191	(539)	58,657
Total	\$(470)	\$78,929	\$(3,109)	\$302,207	\$(3,579)	\$381,136
December 31, 2018						
U.S. Treasury and government sponsored agencies	\$(8)	\$1,001	\$(611)	\$50,878	\$(619)	\$51,880
Mortgage-backed securities	(539)	67,721	(4,992)	204,260	(5,531)	271,981
State and municipal securities	(101)	20,821	(578)	52,190	(679)	73,011
Corporate debt	(315)	36,245	(442)	13,474	(757)	49,718
Total	\$(963)	\$125,788	\$(6,623)	\$320,802	\$(7,586)	\$446,590

The carrying value of investment securities pledged to secure public funds on deposit and for other purposes as required by law was \$314.4 million and \$291.6 million as of March 31, 2019 and December 31, 2018, respectively.

NOTE 5 – LOANS

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The following table details the Company's loans at March 31, 2019 and December 31, 2018:

	March 31, 2019	December 31, 2018		
	(Dollars In Thousands)			
Commercial, financial and agricultural	\$2,522,136	\$2,513,225		
Real estate - construction	556,219	533,192		
Real estate - mortgage:				
Owner-occupied commercial	1,500,595	1,463,887		
1-4 family mortgage	629,285	621,634		
Other mortgage	1,394,611	1,337,068		
Subtotal: Real estate - mortgage	3,524,491	3,422,589		
Consumer	57,062	64,493		
Total Loans	6,659,908	6,533,499		
Less: Allowance for loan losses	(70,207)	(68,600)		
Net Loans	\$6,589,701	\$6,464,899		
Commercial, financial and agricultural	37.87	%	38.47	%
Real estate - construction	8.35	%	8.16	%
Real estate - mortgage:				
Owner-occupied commercial	22.53	%	22.41	%
1-4 family mortgage	9.45	%	9.51	%
Other mortgage	20.94	%	20.46	%
Subtotal: Real estate - mortgage	52.92	%	52.38	%
Consumer	0.86	%	0.99	%
Total Loans	100.00	%	100.00	%

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

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

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

- Substandard – loans that exhibit well-defined weakness or weaknesses that presently jeopardize debt repayment. These loans are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies 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 March 31, 2019 and December 31, 2018 were as follows:

March 31, 2019	Pass	Special Mention	Substandard	Doubtful	Total
	(In Thousands)				
Commercial, financial and agricultural	\$2,456,885	\$47,075	\$ 18,176	\$ –	\$2,522,136
Real estate - construction	548,656	6,944	619	–	556,219
Real estate - mortgage:					
Owner-occupied commercial	1,470,108	26,929	3,558	–	1,500,595
1-4 family mortgage	625,458	1,976	1,851	–	629,285
Other mortgage	1,368,451	14,781	11,379	–	1,394,611
Total real estate - mortgage	3,464,017	43,686	16,788	–	3,524,491
Consumer	57,013	49	–	–	57,062
Total	\$6,526,571	\$97,754	\$ 35,583	\$ –	\$6,659,908

December 31, 2018	Pass	Special Mention	Substandard	Doubtful	Total
	(In Thousands)				
Commercial, financial and agricultural	\$2,447,052	\$47,754	\$ 18,419	\$ –	\$2,513,225
Real estate - construction	525,021	6,749	1,422	–	533,192

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Real estate - mortgage:					
Owner-occupied commercial	1,431,982	28,547	3,358	–	1,463,887
1-4 family mortgage	616,884	2,703	2,047	–	621,634
Other mortgage	1,309,101	16,506	11,461	–	1,337,068
Total real estate - mortgage	3,357,967	47,756	16,866	–	3,422,589
Consumer	64,444	–	49	–	64,493
Total	\$6,394,484	\$102,259	\$ 36,756	\$ –	\$6,533,499

Loans by performance status as of March 31, 2019 and December 31, 2018 were as follows:

March 31, 2019	Performing	Nonperforming	Total
	(In Thousands)		
Commercial, financial and agricultural	\$2,510,619	\$ 11,517	\$2,522,136
Real estate - construction	555,981	238	556,219
Real estate - mortgage:			
Owner-occupied commercial	1,497,037	3,558	1,500,595
1-4 family mortgage	627,435	1,850	629,285
Other mortgage	1,384,611	10,000	1,394,611
Total real estate - mortgage	3,509,083	15,408	3,524,491
Consumer	57,050	12	57,062
Total	\$6,632,733	\$ 27,175	\$6,659,908

December 31, 2018	Performing	Nonperforming	Total
	(In Thousands)		
Commercial, financial and agricultural	\$2,502,117	\$ 11,108	\$2,513,225
Real estate - construction	532,195	997	533,192
Real estate - mortgage:			
Owner-occupied commercial	1,460,529	3,358	1,463,887
1-4 family mortgage	619,465	2,169	621,634
Other mortgage	1,327,038	10,030	1,337,068
Total real estate - mortgage	3,407,032	15,557	3,422,589
Consumer	64,385	108	64,493
Total	\$6,505,729	\$ 27,770	\$6,533,499

Loans by past due status as of March 31, 2019 and December 31, 2018 were as follows:

March 31, 2019	Past Due Status (Accruing Loans)				Non-Accrual	Current	Total Loans
	30-59 Days	60-89 Days	90+ Days	Total Past Due			
	(In Thousands)						
Commercial, financial and agricultural	\$6,868	\$2,115	\$31	\$9,014	\$ 11,486	\$2,501,636	\$2,522,136
Real estate - construction	–	–	–	–	238	555,981	556,219
Real estate - mortgage:							
Owner-occupied commercial	122	–	–	122	3,558	1,496,915	1,500,595
1-4 family mortgage	600	649	–	1,249	1,850	626,186	629,285
Other mortgage	37	–	4,978	5,015	5,022	1,384,574	1,394,611
Total real estate - mortgage	759	649	4,978	6,386	10,430	3,507,675	3,524,491
Consumer	41	12	12	65	–	56,997	57,062

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Total	\$7,668	\$2,776	\$5,021	\$15,465	\$ 22,154	\$6,622,289	\$6,659,908
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December 31, 2018	Past Due Status (Accruing Loans)				Non-Accrual	Current	Total Loans
	30-59 Days	60-89 Days	90+ Days	Total Past Due			
	(In Thousands)						
Commercial, financial and agricultural	\$1,222	\$48	\$605	\$1,875	\$ 10,503	\$2,500,847	\$2,513,225
Real estate - construction	–	1,352	–	1,352	997	530,843	533,192
Real estate - mortgage:							
Owner-occupied commercial	412	–	–	412	3,358	1,460,117	1,463,887
1-4 family mortgage	534	235	123	892	2,046	618,696	621,634
Other mortgage	1,174	–	5,008	6,182	5,022	1,325,864	1,337,068
Total real estate - mortgage	2,120	235	5,131	7,486	10,426	3,404,677	3,422,589
Consumer	58	123	108	289	–	64,204	64,493
Total	\$3,400	\$1,758	\$5,844	\$11,002	\$ 21,926	\$6,500,571	\$6,533,499

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

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

Non-Impaired Loans. Non-impaired loans are grouped into the following 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 five 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.

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

The following table presents an analysis of the allowance for loan losses by portfolio segment and changes in the allowance for loan losses for the three months ended March 31, 2019 and March 31, 2018. 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 March 31, 2019				
Allowance for loan losses:					
Balance at December 31, 2018	\$39,016	\$ 3,522	\$25,508	\$ 554	\$68,600
Charge-offs	(3,037)	–	(50)	(218)	(3,305)
Recoveries	12	1	7	7	27
Provision	3,468	72	1,246		