



ServisFirst Bancshares, Inc. Announces Results For First Quarter of 2021

BIRMINGHAM, Ala., April 19, 2021 (GLOBE NEWSWIRE) -- ServisFirst Bancshares, Inc. (NASDAQ: SFBS), today announced earnings and operating results for the quarter ended March 31, 2021.

First Quarter 2021 Highlights:

- Diluted earnings per share were \$0.95 for the first quarter, an increase of 48% over the first quarter of 2020
- Deposits grew from \$7.83 billion to \$10.58 billion year-over-year, or 35%, and grew \$602 million on a linked-quarter basis, or 24%, annualized
- We funded approximately 2,170 round-two Payroll Protection Program ("PPP") loans totaling approximately \$386 million through March 31, 2021
- Our loan pipeline reached a record level during the quarter
- Liquidity reached record levels, with over \$2.5 billion on deposit at the Federal Reserve Bank
- We continue to experience excellent credit quality as we prepare to exit the pandemic
- Our efficiency ratio improved to 28% during the quarter compared to 33% during the first quarter of 2020
- Book value per share increased to \$19.03, a 16% increase year-over-year

Tom Broughton, Chairman, President and CEO, said, "We are pleased to see the rebound in our pipeline to record levels. All signs point to an economic resurgence post-pandemic."

Bud Foshee, CFO, said, "Growth has continued our normal trend lines while our expense control has been very good."

FINANCIAL SUMMARY (UNAUDITED)

(in Thousands except share and per share amounts)

| | Period Ending March 31, 2021 | Period Ending December 31, 2020 | % Change From Period Ending December 31, 2020 to Period Ending March 31, 2021 | Period Ending March 31, 2020 | % Change From Period Ending March 31, 2020 to Period Ending March 31, 2021 |
|---|------------------------------------|---------------------------------------|---|------------------------------------|--|
| QUARTERLY OPERATING RESULTS | | | | | |
| Net Income | \$ 51,455 | \$ 50,981 | 1 % | \$ 34,778 | 48 % |
| Net Income Available to Common Stockholders | \$ 51,455 | \$ 50,949 | 1 % | \$ 34,778 | 48 % |
| Diluted Earnings Per Share | \$ 0.95 | \$ 0.94 | 1 % | \$ 0.64 | 48 % |
| Return on Average Assets | 1.72 % | 1.74 % | | 1.54 % | |
| Return on Average Common Stockholders' Equity | 19.83 % | 20.78 % | | 16.23 % | |
| Average Diluted Shares Outstanding | 54,381,991 | 54,273,944 | | 54,167,414 | |
| BALANCE SHEET | | | | | |
| Total Assets | \$ 12,647,374 | \$ 11,932,654 | 6 % | \$ 9,364,882 | 35 % |
| Loans | 8,504,980 | 8,465,688 | - % | 7,568,836 | 12 % |
| Non-interest-bearing Demand Deposits | 3,044,611 | 2,788,772 | 9 % | 1,925,626 | 58 % |
| Total Deposits | 10,577,610 | 9,975,724 | 6 % | 7,832,655 | 35 % |
| Stockholders' Equity | 1,030,485 | 992,852 | 4 % | 881,885 | 17 % |

DETAILED FINANCIALS

ServisFirst Bancshares, Inc. reported net income and net income available to common stockholders of \$51.5 million for the quarter ended March 31, 2021, compared to net income and net income available to common stockholders of \$34.8 million for the same quarter in 2020. Basic and diluted earnings per common share were \$0.95 for the first quarter of 2021, compared to \$0.65 and \$0.64,

respectively, for the first quarter of 2020.

Annualized return on average assets was 1.72% and annualized return on average common stockholders' equity was 19.83% for the first quarter of 2021, compared to 1.54% and 16.23%, respectively, for the first quarter of 2020.

Net interest income was \$92.4 million for the first quarter of 2021, compared to \$92.1 million for the fourth quarter of 2020 and \$77.6 million for the first quarter of 2020. The net interest margin in the first quarter of 2021 was 3.20% compared to 3.27% in the fourth quarter of 2020 and 3.58% in the first quarter of 2020. Accretion of net fees on PPP loans of \$9.1 million during the first quarter of 2021 contributed 43 basis points of the loan yield, compared to \$7.5 million of PPP loan fee accretion during the fourth quarter of 2020, or 35 basis points of the loan yield.

Average loans for the first quarter of 2021 were \$8.51 billion, an increase of \$47.9 million, or 2% annualized, with average loans of \$8.46 billion for the fourth quarter of 2020, and an increase of \$1.15 billion, or 16%, with average loans of \$7.36 billion for the first quarter of 2020. Origination of round-two PPP loans during the first quarter of 2021 totaled \$402 million while forgiveness of round-one PPP loans during the first quarter of 2021 totaled \$334 million.

Average total deposits for the first quarter of 2021 were \$10.18 billion, an increase of \$337.0 million, or 14% annualized, with average total deposits of \$9.84 billion for the fourth quarter of 2020, and an increase of \$2.54 billion, or 33%, with average total deposits of \$7.64 billion for the first quarter of 2020.

Non-performing assets to total assets were 0.16% for the first quarter of 2021, a decrease of five basis points compared to 0.21% for the fourth quarter of 2020 and a decrease of 28 basis points compared to 0.44% for the first quarter of 2020. Annualized net charge-offs to average loans were 0.02%, a 39 basis point decrease compared to 0.41% for the fourth quarter of 2020 and a decrease of 24 basis points compared to 0.26% for the first quarter of 2020. The allowance for credit losses for the quarters ending March 31, 2021 and December 31, 2020 were calculated under the CECL methodology and as a percentage of total loans were 1.12% and 1.04%, respectively. Other quarter-end periods presented for the allowance for loans losses were not restated for CECL adoption and were calculated under the incurred loss methodology. The allowance for loan losses as a percentage of total loans was 1.13% at March 31, 2020. Excluding PPP loans, for all periods discussed, the allowance for credit losses as a percentage of total loans under the CECL methodology at March 31, 2021 and December 31, 2020 was 1.26% and 1.16%, respectively, compared to 1.13% at March 31, 2020, under the incurred loss model. We recorded a \$7.5 million provision for credit losses in the first quarter of 2021 compared to \$6.3 million in the fourth quarter of 2020 and \$13.6 million in the first quarter of 2020.

Non-interest income for the first quarter of 2021 increased \$1.8 million, or 27%, to \$8.5 million from \$6.7 million in the first quarter of 2020. Mortgage banking revenue increased \$1.7 million, or 157%, to \$2.7 million from the first quarter of 2020 to the first quarter of 2021. Mortgage loan sales increased approximately 106% during the first quarter of 2021 when compared to the same quarter in 2020. Net credit card revenue decreased \$573,000, or 33%, to \$1.2 million during the first quarter of 2021, compared to \$1.8 million during the first quarter of 2020, mainly due to a one-time catch up in under-accrued rebate expenses. The number of credit card accounts increased approximately 28% and the aggregate amount of spend on all credit card accounts increased 16% during the first quarter of 2021 compared to the first quarter of 2020. Cash surrender value of life insurance increased \$205,000, or 14%, to \$1.7 million during the first quarter of 2021, compared to \$1.5 million during the first quarter of 2020. Other income for the first quarter of 2021 increased \$489,000, or 104%, to \$1.0 million from \$469,000 in the first quarter of 2020. The interest rate cap bought in May of 2020 increased in value during the first quarter of 2021, contributing \$275,000 to the increase in other income. Merchant service revenue increased from \$100,000 during the first quarter of 2020 to \$191,000 during the first quarter of 2021.

Non-interest expense for the first quarter of 2021 increased \$1.0 million, or 4%, to \$28.9 million from \$27.9 million in the first quarter of 2020, and increased \$712,000, or 3%, on a linked quarter basis. Salary and benefit expense for the first quarter of 2021 decreased \$115,000, or 1%, to \$15.6 million from \$15.7 million in the first quarter of 2020, and increased \$573,000, or 4%, on a linked quarter basis. Salary expense alone only increased by \$11,000 during the first quarter of 2021 compared to the first quarter of 2020. Increased loan origination cost deferrals during the first quarter of 2021 over the amount in the first quarter of 2020 offset increased incentive accruals during the same comparative periods. Origination of round-two PPP loans during the first quarter of 2021 drove the increase in cost deferrals. The number of FTE employees decreased by one to 491 at March 31, 2021 compared to 492 at March 31, 2020, and decreased by two from the end of the fourth quarter of 2020. Equipment and occupancy expense increased \$254,000, or 11%, to \$2.7 million in the first quarter of 2021, from \$2.4 million in the first quarter of 2020, and decreased \$26,000 on a linked-quarter basis. Third party processing and other services expense decreased \$41,000, or 1%, to \$3.4 million in the first quarter of 2021, from \$3.5 million in the first quarter of 2020 and was unchanged on a linked-quarter basis. Professional services expense decreased \$25,000, or 3%, to \$923,000 in the first quarter of 2021, from \$948,000 in the first quarter of 2020, and decreased \$325,000 on a linked-quarter basis. Fourth quarter 2020 professional services were inflated due to expenses associated with updating the Bank's online application portal for the round-two PPP loans. FDIC and other regulatory assessments increased \$250,000 to \$1.6 million in the first quarter of 2021, from \$1.3 million in the first quarter of 2020, and increased \$216,000, or 16%, on a linked quarter basis. A larger assessment base driven by increased deposits caused the increase in FDIC assessments. Expenses associated with other real estate owned decreased \$444,000 to \$157,000 in the first quarter of 2021, from \$601,000 in the first quarter of 2020, and increased \$17,000, or 12%, on a linked quarter basis. First quarter 2020 included write-downs in value of property based on updated appraisals related to one foreclosed loan relationship. Other operating expenses for the first quarter of 2021 increased \$1.1 million, or 32%, to \$4.6 million from \$3.5 million in the first quarter of 2020, and increased \$259,000 on a linked-quarter basis. We increased our credit losses on unfunded loan commitments by \$600,000 in the first quarter of 2021 with a charge to other operating expenses. The efficiency ratio was 28.68% during the first quarter of 2021 compared to 33.11% during the first quarter of 2020 and compared to 28.11% during the fourth quarter of 2020.

Income tax expense increased \$5.0 million, or 48%, to \$13.0 million in the first quarter of 2021, compared to \$8.0 million in the first

quarter of 2020. Our effective tax rate was 20.18% for the first quarter of 2021 compared to 18.76% for the first quarter of 2020. We recognized a reduction in provision for income taxes resulting from excess tax benefits from the exercise and vesting of stock options and restricted stock during the first quarters of 2021 and 2020 of \$1.6 million and \$1.1 million, respectively.

GAAP Reconciliation and Management Explanation of Non-GAAP Financial Measures

This press release contains certain non-GAAP financial measures, including tangible common stockholders' equity, total tangible assets, tangible book value per share and tangible common equity to total tangible assets, each of which excludes goodwill and core deposit intangibles associated with our acquisition of Metro Bancshares, Inc. in January 2015. We believe these non-GAAP financial measures provide useful information to management and investors that is supplementary to our financial condition, results of operations and cash flows computed in accordance with GAAP; however, we acknowledge that these non-GAAP financial measures have a number of limitations. As such, you should not view these disclosures as a substitute for results determined in accordance with GAAP, and they are not necessarily comparable to non-GAAP financial measures that other companies, including those in our industry, use. The following reconciliation table provides a more detailed analysis of the non-GAAP financial measures as of and for the comparative periods presented in this press release. Dollars are in thousands, except share and per share data.

| | At March 31, 2021 | At December 31, 2020 | At September 30, 2020 | At June 30, 2020 | At March 31, 2020 |
|--|----------------------|----------------------------|-----------------------------|---------------------|----------------------|
| Book value per share - GAAP | \$ 19.03 | \$ 18.41 | \$ 17.61 | \$ 16.98 | \$ 16.38 |
| Total common stockholders' equity - GAAP | 1,030,485 | 992,852 | 949,589 | 914,588 | 881,885 |
| Adjustments: | | | | | |
| Adjusted for goodwill and core deposit intangible asset | 13,841 | 13,908 | 13,976 | 14,043 | 14,111 |
| Tangible common stockholders' equity - non-GAAP | \$ 1,016,644 | \$ 978,944 | \$ 935,613 | \$ 900,545 | \$ 867,775 |
| Tangible book value per share - non-GAAP | \$ 18.78 | \$ 18.15 | \$ 17.35 | \$ 16.72 | \$ 16.12 |
| Stockholders' equity to total assets - GAAP | 8.15 % | 8.32 % | 8.33 % | 8.31 % | 9.42 % |
| Total assets - GAAP | \$ 12,647,374 | \$ 11,927,955 | \$ 11,394,874 | \$ 11,012,195 | \$ 9,364,882 |
| Adjustments: | | | | | |
| Adjusted for goodwill and core deposit intangible asset | 13,841 | 13,908 | 13,976 | 14,043 | 14,111 |
| Total tangible assets - non-GAAP | \$ 12,633,533 | \$ 11,914,047 | \$ 11,380,898 | \$ 10,998,152 | \$ 9,350,771 |
| Tangible common equity to total tangible assets - non-GAAP | 8.05 % | 8.22 % | 8.22 % | 8.19 % | 9.28 % |

About ServisFirst Bancshares, Inc.

ServisFirst Bancshares, Inc. is a bank holding company based in Birmingham, Alabama. Through its subsidiary ServisFirst Bank, ServisFirst Bancshares, Inc. provides business and personal financial services from locations in Birmingham, Huntsville, Montgomery, Mobile and Dothan, Alabama, Pensacola, Sarasota and Tampa Bay, Florida, Atlanta, Georgia, Charleston, South Carolina and Nashville, Tennessee.

ServisFirst Bancshares, Inc. files periodic reports with the U.S. Securities and Exchange Commission (SEC). Copies of its filings may be obtained through the SEC's website at www.sec.gov or at www.servisfirstbancshares.com.

Statements in this press release that are not historical facts, including, but not limited to, statements concerning future operations, results or performance, are hereby identified as "forward-looking statements" for the purpose of the safe harbor provided by Section 21E of the Securities Exchange Act of 1934 and Section 27A of the Securities Act of 1933. The words "believe," "expect," "anticipate," "project," "plan," "intend," "will," "could," "would," "might" and similar expressions often signify forward-looking statements. Such statements involve inherent risks and uncertainties. ServisFirst Bancshares, Inc. cautions that such forward-looking statements, wherever they occur in this press release or in other statements attributable to ServisFirst Bancshares, Inc., are necessarily estimates reflecting the judgment of ServisFirst Bancshares, Inc.'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 the deposit base; economic crisis and associated credit issues in industries most impacted by the COVID-19 outbreak, including but not limited to, the restaurant, hospitality and retail sectors; possible changes in laws and regulations and governmental monetary and fiscal policies, including, but not limited to, economic stimulus initiatives; the cost and other effects of legal and administrative cases and similar contingencies; possible changes in the creditworthiness of customers and the possible impairment of the collectability of loans and the value of collateral; the effect of natural disasters, such as hurricanes and tornados, in our geographic markets; and increased competition from both banks and non-bank financial institutions. The foregoing list of factors is not exhaustive. For discussion of these and other risks that may cause actual results to differ from expectations, please refer to "Cautionary Note Regarding Forward-looking Statements" and "Risk Factors" in our most recent Annual Report on Form 10-K, in 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. ServisFirst Bancshares, Inc. assumes no obligation to update or revise any forward-looking statements that are made from time to time.

More information about ServisFirst Bancshares, Inc. may be obtained over the Internet at www.servisfirstbancshares.com or by calling (205) 949-0302.

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SELECTED FINANCIAL HIGHLIGHTS (Unaudited)
(In thousands except share and per share data)

| | 1st Quarter 2021 | 4th Quarter 2020 | 3rd Quarter 2020 | 2nd Quarter 2020 | 1st Quarter 2020 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| CONSOLIDATED STATEMENT OF INCOME | | | | | |
| Interest income | \$ 100,396 | \$ 101,065 | \$ 96,110 | \$ 95,080 | \$ 96,767 |
| Interest expense | 8,031 | 8,984 | 11,028 | 11,846 | 19,127 |
| Net interest income | 92,365 | 92,081 | 85,082 | 83,234 | 77,640 |
| Provision for credit losses | 7,451 | 6,283 | 12,284 | 10,283 | 13,584 |
| Net interest income after provision for credit losses | 84,914 | 85,798 | 72,798 | 72,951 | 64,056 |
| Non-interest income | 8,463 | 8,237 | 8,172 | 7,033 | 6,674 |
| Non-interest expense | 28,914 | 28,202 | 26,573 | 28,816 | 27,920 |
| Income before income tax | 64,463 | 65,833 | 54,397 | 51,168 | 42,810 |
| Provision for income tax | 13,008 | 14,852 | 11,035 | 10,720 | 8,032 |
| Net income | 51,455 | 50,981 | 43,362 | 40,448 | 34,778 |
| Preferred stock dividends | - | 32 | - | 31 | - |
| Net income available to common stockholders | \$ 51,455 | \$ 50,949 | \$ 43,362 | \$ 40,417 | \$ 34,778 |
| Earnings per share - basic | \$ 0.95 | \$ 0.94 | \$ 0.80 | \$ 0.75 | \$ 0.65 |
| Earnings per share - diluted | \$ 0.95 | \$ 0.94 | \$ 0.80 | \$ 0.75 | \$ 0.64 |
| Average diluted shares outstanding | 54,381,991 | 54,273,944 | 54,232,965 | 54,194,506 | 54,167,414 |
| CONSOLIDATED BALANCE SHEET DATA | | | | | |
| Total assets | \$ 12,647,374 | \$ 11,932,654 | \$ 11,394,874 | \$ 11,012,195 | \$ 9,364,882 |
| Loans | 8,504,980 | 8,465,688 | 8,508,544 | 8,315,375 | 7,568,836 |
| Debt securities | 962,129 | 886,938 | 913,299 | 856,378 | 827,032 |
| Non-interest-bearing demand deposits | 3,044,611 | 2,788,772 | 2,762,814 | 2,678,893 | 1,925,626 |
| Total deposits | 10,577,610 | 9,975,724 | 9,673,783 | 9,342,918 | 7,832,655 |
| Borrowings | 64,691 | 64,748 | 64,719 | 64,715 | 64,707 |
| Stockholders' equity | \$ 1,030,485 | \$ 992,852 | \$ 949,589 | \$ 914,588 | \$ 881,885 |
| Shares outstanding | 54,137,650 | 53,943,751 | 53,915,245 | 53,874,276 | 53,844,009 |
| Book value per share | \$ 19.03 | \$ 18.41 | \$ 17.61 | \$ 16.98 | \$ 16.38 |
| Tangible book value per share (1) | \$ 18.78 | \$ 18.15 | \$ 17.35 | \$ 16.72 | \$ 16.12 |
| SELECTED FINANCIAL RATIOS (Annualized) | | | | | |
| Net interest margin | 3.20 % | 3.27 % | 3.14 % | 3.32 % | 3.58 % |
| Return on average assets | 1.72 % | 1.74 % | 1.54 % | 1.55 % | 1.54 % |
| Return on average common stockholders' equity | 19.83 % | 20.78 % | 18.43 % | 18.40 % | 16.23 % |
| Efficiency ratio | 28.68 % | 28.11 % | 28.50 % | 31.92 % | 33.11 % |
| Non-interest expense to average earning assets | 1.00 % | 1.00 % | 0.98 % | 1.15 % | 1.29 % |
| CAPITAL RATIOS (2) | | | | | |
| Common equity tier 1 capital to risk-weighted assets | 10.73 % | 10.50 % | 11.24 % | 11.26 % | 10.68 % |
| Tier 1 capital to risk-weighted assets | 10.73 % | 10.50 % | 11.25 % | 11.27 % | 10.68 % |
| Total capital to risk-weighted assets | 12.48 % | 12.20 % | 13.10 % | 13.27 % | 12.54 % |
| Tier 1 capital to average assets | 8.25 % | 8.23 % | 8.22 % | 8.46 % | 9.56 % |
| Tangible common equity to total tangible assets (1) | 8.05 % | 8.22 % | 8.22 % | 8.19 % | 9.28 % |

(1) See "GAAP Reconciliation and Management Explanation of Non-GAAP Financial Measures" for a discussion of these Non-GAAP financial measures.

(2) Regulatory capital ratios for most recent period are preliminary.

CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(Dollars in thousands)

| | March 31, 2021 | March 31, 2020 | % Change |
|--|----------------------|---------------------|----------|
| ASSETS | | | |
| Cash and due from banks | \$ 70,107 | \$ 80,461 | (13)% |
| Interest-bearing balances due from depository institutions | 2,738,046 | 297,943 | 819% |
| Federal funds sold | 1,577 | 306,127 | (99)% |
| Cash and cash equivalents | 2,809,730 | 684,531 | 310% |
| Available for sale debt securities, at fair value | 961,879 | 826,782 | 16% |
| Held to maturity debt securities (fair value of \$250 at March 31, 2021 and 2020) | 250 | 250 | - |
| Mortgage loans held for sale | 15,834 | 6,747 | 135% |
| Loans | 8,504,980 | 7,568,836 | 12% |
| Less allowance for credit losses | (94,906) | (85,414) | 11% |
| Loans, net | 8,410,074 | 7,483,422 | 12% |
| Premises and equipment, net | 56,472 | 55,992 | 1% |
| Goodwill and other identifiable intangible assets | 13,841 | 14,111 | (2)% |
| Other assets | 379,294 | 293,047 | 29% |
| Total assets | <u>\$ 12,647,374</u> | <u>\$ 9,364,882</u> | 35% |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| Liabilities: | | | |
| Deposits: | | | |
| Non-interest-bearing | \$ 3,044,611 | \$ 1,925,626 | 58% |
| Interest-bearing | 7,532,999 | 5,907,029 | 28% |
| Total deposits | 10,577,610 | 7,832,655 | 35% |
| Federal funds purchased | 911,558 | 543,623 | 68% |
| Other borrowings | 64,691 | 64,707 | -% |
| Other liabilities | 63,030 | 42,012 | 50% |
| Total liabilities | 11,616,889 | 8,482,997 | 37% |
| Stockholders' equity: | | | |
| Preferred stock, par value \$0.001 per share; 1,000,000 authorized and undesignated at March 31, 2021 and March 31, 2020 | - | - | |
| Common stock, par value \$0.001 per share; 100,000,000 shares authorized; 54,137,650 shares issued and outstanding at March 31, 2021, and 53,844,009 shares issued and outstanding at March 31, 2020 | 54 | 54 | -% |
| Additional paid-in capital | 224,302 | 221,901 | 1% |
| Retained earnings | 788,875 | 641,980 | 23% |
| Accumulated other comprehensive income | 16,754 | 17,448 | (4)% |
| Total stockholders' equity attributable to ServisFirst Bancshares, Inc. | 1,029,985 | 881,383 | 17% |
| Noncontrolling interest | 500 | 502 | -% |
| Total stockholders' equity | 1,030,485 | 881,885 | 17% |
| Total liabilities and stockholders' equity | <u>\$ 12,647,374</u> | <u>\$ 9,364,882</u> | 35% |

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(In thousands except per share data)

| | Three Months Ended March 31, | |
|------------------------------|------------------------------|---------------|
| | 2021 | 2020 |
| Interest income: | | |
| Interest and fees on loans | \$ 93,803 | \$ 89,385 |
| Taxable securities | 5,807 | 5,154 |
| Nontaxable securities | 107 | 233 |
| Federal funds sold | 3 | 277 |
| Other interest and dividends | 676 | 1,718 |
| Total interest income | <u>100,396</u> | <u>96,767</u> |
| Interest expense: | | |
| Deposits | 6,881 | 16,745 |
| Borrowed funds | 1,150 | 2,382 |

| | | |
|---|-----------|-----------|
| Total interest expense | 8,031 | 19,127 |
| Net interest income | 92,365 | 77,640 |
| Provision for credit losses | 7,451 | 13,584 |
| Net interest income after provision for credit losses | 84,914 | 64,056 |
| Non-interest income: | | |
| Service charges on deposit accounts | 1,908 | 1,916 |
| Mortgage banking | 2,747 | 1,071 |
| Credit card income | 1,192 | 1,765 |
| Increase in cash surrender value life insurance | 1,658 | 1,453 |
| Other operating income | 958 | 469 |
| Total non-interest income | 8,463 | 6,674 |
| Non-interest expense: | | |
| Salaries and employee benefits | 15,543 | 15,658 |
| Equipment and occupancy expense | 2,654 | 2,400 |
| Third party processing and other services | 3,416 | 3,457 |
| Professional services | 923 | 948 |
| FDIC and other regulatory assessments | 1,582 | 1,332 |
| Other real estate owned expense | 157 | 601 |
| Other operating expense | 4,639 | 3,524 |
| Total non-interest expense | 28,914 | 27,920 |
| Income before income tax | 64,463 | 42,810 |
| Provision for income tax | 13,008 | 8,032 |
| Net income | 51,455 | 34,778 |
| Dividends on preferred stock | - | - |
| Net income available to common stockholders | \$ 51,455 | \$ 34,778 |
| Basic earnings per common share | \$ 0.95 | \$ 0.65 |
| Diluted earnings per common share | \$ 0.95 | \$ 0.64 |

LOANS BY TYPE (UNAUDITED)
(In thousands)

| | 1st Quarter 2021 | 4th Quarter 2020 | 3rd Quarter 2020 | 2nd Quarter 2020 | 1st Quarter 2020 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| Commercial, financial and agricultural | \$ 3,323,093 | \$ 3,295,900 | \$ 3,466,189 | \$ 3,498,627 | \$ 2,771,307 |
| Real estate - construction | 666,592 | 593,614 | 530,919 | 544,586 | 548,578 |
| Real estate - mortgage: | | | | | |
| Owner-occupied commercial | 1,698,695 | 1,693,428 | 1,725,222 | 1,634,495 | 1,678,532 |
| 1-4 family mortgage | 685,840 | 711,692 | 671,841 | 665,883 | 675,870 |
| Other mortgage | 2,068,560 | 2,106,184 | 2,056,549 | 1,911,384 | 1,834,137 |
| Subtotal: Real estate - mortgage | 4,453,095 | 4,511,304 | 4,453,612 | 4,211,762 | 4,188,539 |
| Consumer | 62,200 | 64,870 | 57,834 | 60,400 | 60,412 |
| Total loans | \$ 8,504,980 | \$ 8,465,688 | \$ 8,508,554 | \$ 8,315,375 | \$ 7,568,836 |

SUMMARY OF CREDIT LOSS EXPERIENCE (UNAUDITED)
(Dollars in thousands)

| | 1st Quarter 2021 | 4th Quarter 2020 | 3rd Quarter 2020 | 2nd Quarter 2020 | 1st Quarter 2020 |
|---------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Allowance for credit losses: | | | | | |
| Beginning balance | \$ 87,942 | \$ 92,440 | \$ 91,507 | \$ 85,414 | \$ 76,584 |
| Impact of Adoption of ASC 326 | - | (2,000) | - | - | - |
| Loans charged off: | | | | | |
| Commercial financial and agricultural | 477 | 8,792 | 11,146 | 1,358 | 2,640 |
| Real estate - construction | - | 202 | - | 376 | 454 |
| Real estate - mortgage | 12 | - | 200 | 2,520 | 1,678 |
| Consumer | 87 | 38 | 44 | 62 | 58 |
| Total charge offs | 576 | 9,032 | 11,390 | 4,316 | 4,830 |
| Recoveries: | | | | | |

| | | | | | |
|---------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Commercial financial and agricultural | 26 | 94 | 12 | 84 | 62 |
| Real estate - construction | 50 | 30 | - | 1 | 1 |
| Real estate - mortgage | 2 | 114 | 12 | 13 | 1 |
| Consumer | 11 | 13 | 15 | 28 | 12 |
| Total recoveries | 89 | 251 | 39 | 126 | 76 |
| Net charge-offs | 487 | 8,781 | 11,351 | 4,190 | 4,754 |
| Provision for credit losses | 7,451 | 6,283 | 12,284 | 10,283 | 13,584 |
| Ending balance | <u>\$ 94,906</u> | <u>\$ 87,942</u> | <u>\$ 92,440</u> | <u>\$ 91,507</u> | <u>\$ 85,414</u> |

| | | | | | |
|--|------------------|------------------|------------------|------------------|------------------|
| Allowance for credit losses to total loans | 1.12 % | 1.04 % | - | - | - |
| Allowance for credit losses to total average loans | 1.11 % | 1.04 % | - | - | - |
| Allowance for loan losses to total loans | - | - | 1.09 % | 1.10 % | 1.13 % |
| Allowance for loan losses to total average loans | - | - | 1.11 % | 1.10 % | 1.16 % |
| Net charge-offs to total average loans | 0.02 % | 0.41 % | 0.54 % | 0.20 % | 0.26 % |
| Provision for credit losses to total average loans | 0.35 % | 0.30 % | - | - | - |
| Provision for loan losses to total average loans | - | - | 0.58 % | 0.50 % | 0.74 % |
| Nonperforming assets: | | | | | |
| Nonaccrual loans | \$ 13,888 | \$ 13,973 | \$ 21,675 | \$ 16,881 | \$ 28,914 |
| Loans 90+ days past due and accruing | 4,804 | 4,981 | 4,898 | 5,133 | 4,954 |
| Other real estate owned and repossessed assets | 2,067 | 6,497 | 6,976 | 6,537 | 7,448 |
| Total | <u>\$ 20,759</u> | <u>\$ 25,451</u> | <u>\$ 33,549</u> | <u>\$ 28,551</u> | <u>\$ 41,316</u> |

| | | | | | |
|---|----------|----------|----------|----------|----------|
| Nonperforming loans to total loans | 0.22 % | 0.22 % | 0.31 % | 0.26 % | 0.45 % |
| Nonperforming assets to total assets | 0.16 % | 0.21 % | 0.29 % | 0.26 % | 0.44 % |
| Nonperforming assets to earning assets | 0.17 % | 0.22 % | 0.30 % | 0.26 % | 0.45 % |
| Allowance for credit losses to nonaccrual loans | 683.37 % | 629.37 % | - | - | - |
| Allowance for loan losses to nonaccrual loans | - | - | 426.48 % | 542.07 % | 295.41 % |

| | | | | | |
|-----------------------------|--------|--------|----------|--------|--------|
| Restructured accruing loans | \$ 794 | \$ 818 | \$ 1,800 | \$ 975 | \$ 975 |
|-----------------------------|--------|--------|----------|--------|--------|

| | | | | | |
|--|--------|--------|--------|--------|--------|
| Restructured accruing loans to total loans | 0.01 % | 0.01 % | 0.02 % | 0.01 % | 0.01 % |
|--|--------|--------|--------|--------|--------|

TROUBLED DEBT RESTRUCTURINGS (TDRs) (UNAUDITED)

(In thousands)

| | 1st Quarter 2021 | 4th Quarter 2020 | 3rd Quarter 2020 | 2nd Quarter 2020 | 1st Quarter 2020 |
|---------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Beginning balance: | \$ 1,433 | \$ 2,738 | \$ 1,568 | \$ 2,367 | \$ 3,330 |
| Additions | 2,146 | - | 1,182 | - | 350 |
| Net (paydowns) / advances | (37) | (619) | (12) | (12) | (232) |
| Charge-offs | - | (535) | - | (412) | (1,081) |
| Transfer to OREO | - | (151) | - | (375) | - |
| Ending balance | <u>\$ 3,542</u> | <u>\$ 1,433</u> | <u>\$ 2,738</u> | <u>\$ 1,568</u> | <u>\$ 2,367</u> |

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(In thousands except per share data)

| | 1st Quarter 2021 | 4th Quarter 2020 | 3rd Quarter 2020 | 2nd Quarter 2020 | 1st Quarter 2020 |
|------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Interest income: | | | | | |
| Interest and fees on loans | \$ 93,803 | \$ 94,332 | \$ 89,564 | \$ 89,383 | \$ 89,385 |
| Taxable securities | 5,807 | 6,018 | 5,858 | 5,092 | 5,154 |
| Nontaxable securities | 107 | 129 | 166 | 211 | 233 |
| Federal funds sold | 3 | 5 | 16 | 34 | 277 |
| Other interest and dividends | 676 | 581 | 506 | 360 | 1,718 |
| Total interest income | <u>100,396</u> | <u>101,065</u> | <u>96,110</u> | <u>95,080</u> | <u>96,767</u> |

| | | | | | |
|---|-----------|-----------|-----------|-----------|-----------|
| Interest expense: | | | | | |
| Deposits | 6,881 | 7,853 | 9,876 | 10,756 | 16,745 |
| Borrowed funds | 1,150 | 1,131 | 1,152 | 1,090 | 2,382 |
| Total interest expense | 8,031 | 8,984 | 11,028 | 11,846 | 19,127 |
| Net interest income | 92,365 | 92,081 | 85,082 | 83,234 | 77,640 |
| Provision for credit losses | 7,451 | 6,283 | 12,284 | 10,283 | 13,584 |
| Net interest income after provision for credit losses | 84,914 | 85,798 | 72,798 | 72,951 | 64,056 |
| Non-interest income: | | | | | |
| Service charges on deposit accounts | 1,908 | 1,971 | 1,818 | 1,823 | 1,916 |
| Mortgage banking | 2,747 | 3,050 | 2,519 | 2,107 | 1,071 |
| Credit card income | 1,192 | 913 | 1,840 | 1,398 | 1,765 |
| Increase in cash surrender value life insurance | 1,658 | 1,660 | 1,733 | 1,464 | 1,453 |
| Other operating income | 958 | 643 | 262 | 241 | 469 |
| Total non-interest income | 8,463 | 8,237 | 8,172 | 7,033 | 6,674 |
| Non-interest expense: | | | | | |
| Salaries and employee benefits | 15,543 | 14,970 | 14,994 | 15,792 | 15,658 |
| Equipment and occupancy expense | 2,654 | 2,680 | 2,556 | 2,434 | 2,400 |
| Third party processing and other services | 3,416 | 3,418 | 3,281 | 3,622 | 3,457 |
| Professional services | 923 | 1,248 | 955 | 1,091 | 948 |
| FDIC and other regulatory assessments | 1,582 | 1,366 | 1,061 | 595 | 1,332 |
| Other real estate owned expense | 157 | 140 | 119 | 1,303 | 601 |
| Other operating expense | 4,639 | 4,380 | 3,607 | 3,979 | 3,524 |
| Total non-interest expense | 28,914 | 28,202 | 26,573 | 28,816 | 27,920 |
| Income before income tax | 64,463 | 65,833 | 54,397 | 51,168 | 42,810 |
| Provision for income tax | 13,008 | 14,852 | 11,035 | 10,720 | 8,032 |
| Net income | 51,455 | 50,981 | 43,362 | 40,448 | 34,778 |
| Dividends on preferred stock | - | 32 | - | 31 | - |
| Net income available to common stockholders | \$ 51,455 | \$ 50,949 | \$ 43,362 | \$ 40,417 | \$ 34,778 |
| Basic earnings per common share | \$ 0.95 | \$ 0.94 | \$ 0.80 | \$ 0.75 | \$ 0.65 |
| Diluted earnings per common share | \$ 0.95 | \$ 0.94 | \$ 0.80 | \$ 0.75 | \$ 0.64 |

AVERAGE BALANCE SHEETS AND NET INTEREST ANALYSIS (UNAUDITED)
ON A FULLY TAXABLE-EQUIVALENT BASIS
(Dollars in thousands)

| | 1st Quarter 2021 | | 4th Quarter 2020 | | 3rd Quarter 2020 | | 2nd Quarter 2020 | | 1st Quarter 2020 | |
|--------------------------------------|------------------|--------------|------------------|--------------|------------------|--------------|------------------|--------------|------------------|--------------|
| | Average Balance | Yield / Rate | Average Balance | Yield / Rate | Average Balance | Yield / Rate | Average Balance | Yield / Rate | Average Balance | Yield / Rate |
| Assets: | | | | | | | | | | |
| Interest-earning assets: | | | | | | | | | | |
| Loans, net of unearned income (1) | | | | | | | | | | |
| Taxable | \$ 8,484,914 | 4.47 % | \$ 8,435,237 | 4.43 % | \$ 8,335,087 | 4.26 % | \$ 8,301,775 | 4.31 % | \$ 7,328,594 | 4.89 % |
| Tax-exempt (2) | 27,592 | 4.17 | 29,393 | 4.16 | 30,068 | 4.14 | 31,929 | 4.12 | 32,555 | 4.04 |
| Total loans, net of unearned income | 8,512,506 | 4.47 | 8,464,630 | 4.43 | 8,365,155 | 4.26 | 8,333,704 | 4.31 | 7,361,149 | 4.88 |
| Mortgage loans held for sale | 13,601 | 1.94 | 19,459 | 1.37 | 20,053 | 1.41 | 13,278 | 2.09 | 4,282 | 2.16 |
| Debt securities: | | | | | | | | | | |
| Taxable | 878,118 | 2.65 | 862,333 | 2.79 | 820,526 | 2.86 | 761,575 | 2.67 | 750,413 | 2.75 |
| Tax-exempt (2) | 21,084 | 2.43 | 25,542 | 2.52 | 31,880 | 2.51 | 38,201 | 2.62 | 44,029 | 2.33 |
| Total securities (3) | 899,202 | 2.64 | 887,875 | 2.78 | 852,406 | 2.84 | 799,776 | 2.67 | 794,442 | 2.72 |
| Federal funds sold | 11,935 | 0.10 | 16,306 | 0.12 | 41,884 | 0.15 | 83,274 | 0.16 | 105,423 | 1.06 |
| Interest-bearing balances with banks | 2,262,233 | 0.12 | 1,837,249 | 0.13 | 1,500,563 | 0.13 | 849,549 | 0.17 | 469,199 | 1.47 |

| | | | | | | | | | | |
|--|----------------------|--------|----------------------|--------|----------------------|--------|----------------------|--------|---------------------|--------|
| Total interest-earning assets | \$ 11,699,477 | 3.48 % | \$ 11,225,519 | 3.58 % | \$ 10,780,061 | 3.55 % | \$ 10,079,581 | 3.80 % | \$ 8,734,495 | 4.46 % |
| Non-interest-earning assets: | | | | | | | | | | |
| Cash and due from banks | 71,166 | | 91,258 | | 75,065 | | 76,212 | | 66,140 | |
| Net premises and equipment | 57,198 | | 56,315 | | 56,799 | | 57,446 | | 58,066 | |
| Allowance for credit losses, accrued interest and other assets | 320,407 | | 308,746 | | 281,196 | | 248,702 | | 241,479 | |
| Total assets | <u>\$ 12,148,248</u> | | <u>\$ 11,681,838</u> | | <u>\$ 11,193,121</u> | | <u>\$ 10,461,941</u> | | <u>\$ 9,100,180</u> | |
| Interest-bearing liabilities: | | | | | | | | | | |
| Interest-bearing deposits: | | | | | | | | | | |
| Checking | \$ 1,294,614 | 0.19 % | \$ 1,197,908 | 0.23 % | \$ 1,077,595 | 0.31 % | \$ 992,848 | 0.35 % | \$ 956,803 | 0.57 % |
| Savings | 93,375 | 0.18 | 86,259 | 0.18 | 82,671 | 0.36 | 72,139 | 0.42 | 67,380 | 0.50 |
| Money market | 5,057,828 | 0.27 | 4,933,285 | 0.31 | 4,739,566 | 0.44 | 4,285,907 | 0.52 | 4,061,286 | 1.10 |
| Time deposits | 808,561 | 1.44 | 810,675 | 1.59 | 841,378 | 1.78 | 877,448 | 1.95 | 805,924 | 2.09 |
| Total interest-bearing deposits | 7,254,378 | 0.38 | 7,028,127 | 0.44 | 6,741,210 | 0.58 | 6,228,342 | 0.69 | 5,891,393 | 1.14 |
| Federal funds purchased | 849,772 | 0.22 | 752,765 | 0.22 | 682,971 | 0.22 | 572,990 | 0.22 | 492,638 | 1.31 |
| Other borrowings | 64,689 | 4.33 | 64,701 | 4.41 | 64,717 | 4.78 | 64,711 | 4.85 | 64,707 | 4.85 |
| Total interest-bearing liabilities | \$ 8,168,839 | 0.40 % | \$ 7,845,593 | 0.46 % | \$ 7,488,898 | 0.59 % | \$ 6,866,043 | 0.69 % | \$ 6,448,738 | 1.19 % |
| Non-interest-bearing liabilities: | | | | | | | | | | |
| Non-interest-bearing demand deposits | 2,923,041 | | 2,812,254 | | 2,728,513 | | 2,646,030 | | 1,749,671 | |
| Other liabilities | 39,442 | | 48,642 | | 39,537 | | 69,061 | | 39,801 | |
| Stockholders' equity | 996,741 | | 956,847 | | 917,626 | | 862,500 | | 853,800 | |
| Accumulated other comprehensive income | 20,185 | | 18,502 | | 18,547 | | 18,307 | | 8,170 | |
| Total liabilities and stockholders' equity | <u>\$ 12,148,248</u> | | <u>\$ 11,681,838</u> | | <u>\$ 11,193,121</u> | | <u>\$ 10,461,941</u> | | <u>\$ 9,100,180</u> | |
| Net interest spread | | 3.08 % | | 3.12 % | | 2.96 % | | 3.11 % | | 3.27 % |
| Net interest margin | | 3.20 % | | 3.27 % | | 3.14 % | | 3.32 % | | 3.58 % |

- (1) Average loans include loans on which the accrual of interest has been discontinued.
(2) Interest income and yields are presented on a fully taxable equivalent basis using a tax rate of 21%.
(3) Unrealized losses on available-for-sale debt securities are excluded from the yield calculation.



Source: ServisFirst Bancshares, Inc.