ServisFirst Bancshares, Inc.

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KBRA KROLL BOND RATING AGENCY

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Company Profile

Kroll Bond Rating Agency (KBRA) has affirmed the following ratings for Birmingham, Alabama based ServisFirst Bancshares, Inc. (NASDAQ: SFBS, "ServisFirst", or "the Company") and its subsidiary, ServisFirst Bank ("the Bank").

Ratings				
Entity	**Type**	**Rating**	**Outlook**	**Action**
ServisFirst Bancshares, Inc.	Senior Unsecured Debt	BBB+	Stable	Affirmed
	Subordinated Debt	BBB	Stable	Affirmed
	Short-Term Debt	K2	N/A	Affirmed
ServisFirst Bank	Deposit	A-	Stable	Affirmed
	Senior Unsecured Debt	A-	Stable	Affirmed
	Subordinated Debt	BBB+	Stable	Affirmed
	Short-Term Deposit	K2	N/A	Affirmed
	Short-Term Debt	K2	N/A	Affirmed

*Ratings are based on KBRA's **Global Bank and Bank Holding Company Rating Methodology** published on February 19, 2016.*

- ServisFirst Bancshares, Inc., based in Birmingham, Alabama, offers commercial banking, cash management, private banking, and correspondent banking services, primarily to businesses and their owners, professionals and affluent consumers.
- Since its inception in 2005, SFBS has grown primarily through organic expansion. The Company, with total assets exceeding $7.0 billion, at December 31, 2017, operates an efficient branch network of 20 offices located in five contiguous southeastern states, predominantly in its home state of Alabama where more than 75% of operations are based.
- Through a branch-light business strategy and the execution of a conservative and scalable business model built upon efficient centralized administration with regional delegated authority and oversight, the Company benefits from a high level of operating productivity.
- Moreover, while heavily spread-reliant, deriving more than 95% of its revenues from net interest income sources, SFBS remains a major player in the correspondent banking sphere.

Outlook

The Stable Outlook for ServisFirst's long-term ratings incorporates the expectation that the Company's current credit profile, underpinned by its above-peer earnings performance, strong asset quality metrics, and proven market strategy, would remain relatively consistent in a less constructive economic environment.

Key Rating Drivers

ServisFirst Bancshares, Inc.'s ratings are supported by its above-peer profitability and strong and consistent asset quality metrics, as well as a proven market strategy that bolsters cost efficiency. Constraints to the ratings include the Company's below peer capital ratios, spread-derived revenue stream, and elevated funding costs, though manageable given low operating costs and disciplined loan pricing.

Credit Strengths
• Above-peer profitability
• Strong and consistent asset quality metrics
• Proven market strategy that bolsters operating productivity
• Strong efficiency ratio (below 40%)
• Experienced management team
• Established market presence within operating footprint

Credit Constraints
• Below peer capital ratios
• Lack of diversity in revenue streams; highly spread-reliant
• Elevated cost of funding, partially mitigated by low operating costs and disciplined loan pricing

Recent Results

- First quarter results for ServisFirst Bancshares, Inc. met KBRA's expectations, supported by continued above peer profitability metrics, a high level of operating productivity, deeper market penetration in key geographies, and a consistent business pipeline.
- The net interest margin in the first quarter of 2018 was 3.81%, up 15 basis points from the previous quarter and 28 basis points from the first quarter of 2017, largely driven by a positive shift in the balance sheet mix, which included an increase in average loan volumes and stockholders' equity, as well as a $226.7 million decrease in federal funds sold and interest-bearing balances. The impact was partially offset by a $55.1 million decrease in average noninterest-bearing deposit balances, encompassing the runoff of three accounts.
- Noninterest expense increased modestly by 5% over the linked quarter, though was comparatively low. Meanwhile, the efficiency ratio remained better than similarly situated peers' at 35%.
- Provisions were notably lower in the first quarter, as the fourth quarter was impacted by a $5.8 million charge-off related to one commercial relationship. Bottom line earnings also benefitted from the lower tax rate.
- Asset quality improved and remained better than that of peers, with nonperforming assets-to-total assets improving by 3 basis points over the quarter.
- Net charge-offs-to-average loans returned to historical levels at 0.10%, compared to the 0.56% reported in the linked quarter, largely due to the aforementioned charge-off of one commercial loan.
- SFBS's capital ratios edged upward compared to the linked quarter, with a Tier 1 risk-based capital ratio in the high 9% range, while the tangible capital ratio was 8.78%, up 39 basis points from the linked quarter, largely driven by a 27% increase in retained earnings.

Key Financial Ratios (%)	Q1 2018	Q4 2017	Q1 2017
ROAA	1.91	1.20	1.45
NIM	3.81	3.66	3.53
Efficiency	34.93	32.05	37.58
Net Charge-offs/ Average Loans	0.10	0.56	0.24
NPL/ Total Loans	0.17	0.19	0.23
Tier 1/ Risk Weighted Assets (RWA)	9.88	9.52	9.68
Common Equity Tier 1/ RWA	9.88	9.51	9.67

Financial Metrics

ServisFirst Bancshares, Inc.	2017	2016	2015	2014	2013	2012
Total Assets (000s)	$7,082,384	$6,370,448	$5,095,509	$4,098,679	$3,519,740	$2,906,314
Total Equity (000s)	$607,102	$522,512	$448,770	$406,961	$297,192	$233,257
Performance Measures						
Return on Average Assets	1.43%	1.42%	1.39%	1.40%	1.33%	1.31%
Return on Equity	15.33%	15.59%	14.16%	12.87%	14.00%	14.77%
Net Interest Margin	3.65%	3.39%	3.70%	3.63%	3.75%	3.74%
Efficiency Ratio	34.85%	39.22%	42.03%	40.26%	38.46%	40.28%
Noninterest Income / Total Revenue	7.7%	8.5%	7.6%	7.4%	7.5%	7.3%
Asset Quality						
Nonperforming Assets / Loans + OREO	0.30%	0.44%	0.31%	0.50%	0.78%	0.84%
Nonperforming Assets / Tangible Equity + Reserves	2.69%	3.91%	2.76%	3.81%	6.83%	7.72%
Reserves / Nonperforming Assets	339.44%	237.21%	329.93%	211.40%	136.84%	131.01%
Net Charge-Offs / Average Loans	0.29%	0.11%	0.13%	0.17%	0.33%	0.24%
Provisions / Net Charge-Offs	147.82%	272.10%	254.04%	193.82%	151.20%	186.78%
Capital						
Tier 1 / RWA	9.52%	9.78%	9.73%	11.75%	10.00%	9.89%
Total Equity - Intangible Assets / Total Assets	8.36%	7.97%	8.51%	9.93%	8.44%	8.03%
CET1	9.51%	9.78%	9.72%			
Funding & Leverage						
Total Loans / Total Deposits	96.1%	90.7%	100.0%	99.0%	94.9%	95.1%
Total Loans / Core Deposits	101.9%	98.9%	111.2%	109.8%	107.2%	109.3%
Total Loans / Total Assets	82.7%	77.2%	82.9%	82.1%	81.5%	82.2%
Double Leverage	109.6%	109.9%	101.7%	90.1%	105.8%	113.7%

Data sources: FR Y-9C and FR Y-9LP

Comparative Statistics

Rated BHC Peer Comparison as of December 31, 2017

	ServisFirst Bancshares, Inc.	United Community Banks, Inc.	Renasant Corporation	Ameris Bancorp	CenterState Bank Corporation	National Commerce Corporation	Average BBB+ Rated BHC
Total Assets (000s)	$7,082,384	$11,928,639	$9,829,981	$7,856,203	$7,123,975	$2,737,676	$8,898,492
Total Equity (000s)	$607,102	$1,303,335	$1,514,983	$804,479	$904,750	$392,610	$1,105,401
Performance Measures							
Return on Average Assets	1.43%	0.62%	0.97%	1.00%	0.88%	0.81%	1.02%
Return on Equity	15.33%	5.20%	6.09%	9.14%	6.17%	5.11%	8.52%
Net Interest Margin	3.65%	3.51%	4.06%	4.02%	4.21%	4.42%	3.68%
Efficiency Ratio	34.85%	60.19%	64.33%	64.34%	61.97%	61.50%	57.16%
Noninterest Income / Total Revenue	7.7%	20.1%	28.1%	27.5%	21.0%	16.8%	19.8%
Asset Quality							
Nonperforming Assets / Loans + OREO	0.30%	0.38%	0.48%	1.11%	0.60%	0.21%	0.61%
Nonperforming Assets / Tangible Equity + Reserves	2.69%	2.68%	4.24%	10.12%	4.40%	1.55%	4.98%
Reserves/Nonperforming Assets	339.44%	199.30%	123.29%	37.15%	113.93%	333.52%	328.26%
Net Charge-Offs / Average Loans	0.29%	0.08%	0.06%	0.12%	-0.02%	0.05%	0.13%
Provisions / Net Charge-Offs	147.82%	58.18%	185.23%	127.80%	-600.24%	381.02%	89.71%
Capital							
Tier 1 / RWA	9.52%	12.24%	12.39%	11.58%	11.96%	12.31%	11.56%
Total Equity - Intangible Assets / Total Assets	8.36%	8.74%	8.53%	8.40%	8.74%	10.04%	8.45%
CET1	9.51%	11.98%	11.34%	10.29%	11.46%	12.31%	11.02%
Funding & Leverage							
Total Loans / Total Deposits	96.1%	79.1%	97.6%	94.2%	86.2%	94.8%	94.2%
Total Loans / Core Deposits	101.9%	84.5%	104.9%	101.0%	92.1%	100.6%	110.1%
Total Loans / Total Assets	82.7%	65.1%	78.6%	79.5%	67.3%	79.2%	73.6%
Double Leverage	109.6%	107.1%	107.1%	119.0%	100.2%	95.8%	110.6%
Ratings and Outlook							
KBRA Long-Term Rating (BHC)	BBB+	BBB+	BBB+	BBB	BBB+	BBB	
Outlook	Stable	Stable	Stable	Positive	Stable	Stable	

Data sources: FR Y-9C and FR Y-9LP

Rating Rationale

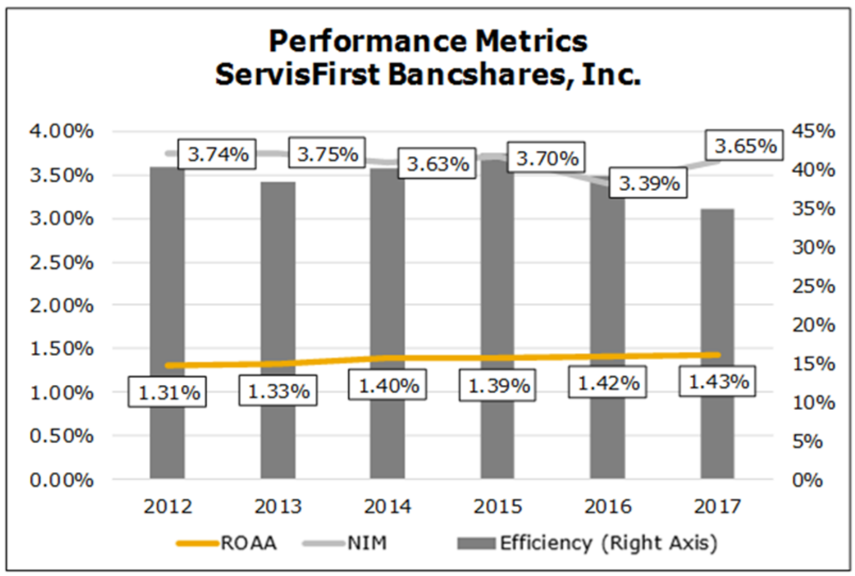
KBRA's ratings of A- and K2 for ServisFirst Bank are supported by the following factors: i) a quantitative view of the Bank's financial fundamentals, including stress testing, ii) a qualitative assessment of the Bank's management and market strategy, and iii) the incorporation of potential external systemic support. KBRA's ratings of BBB+ and K2 for ServisFirst Bancshares, Inc. reflect the overall credit profile of the organization and the potential structural subordination of its liabilities to the liabilities of its subsidiary in an event of default or regulatory intervention.

In sequence, A- and BBB+ generally map to short-term ratings of K2 on KBRA's short-term rating scale. Following KBRA's notching practices, subordinated debt is rated one notch below the Bank's and BHC's senior unsecured debt, resulting in ratings of BBB+ and BBB, respectively.

Key Quantitative Rating Determinants

The quantitative financial fundamentals of the Bank are reflected in the Primary Credit Rating of A-, which is derived from the analysis of the Bank's intrinsic financial strength and potential adjustments due to KBRA's stress testing as well as an analysis of current and historical financial metrics.

Profitability



Data Source: ServisFirst Bancshares, Inc.'s Forms FR Y-9C

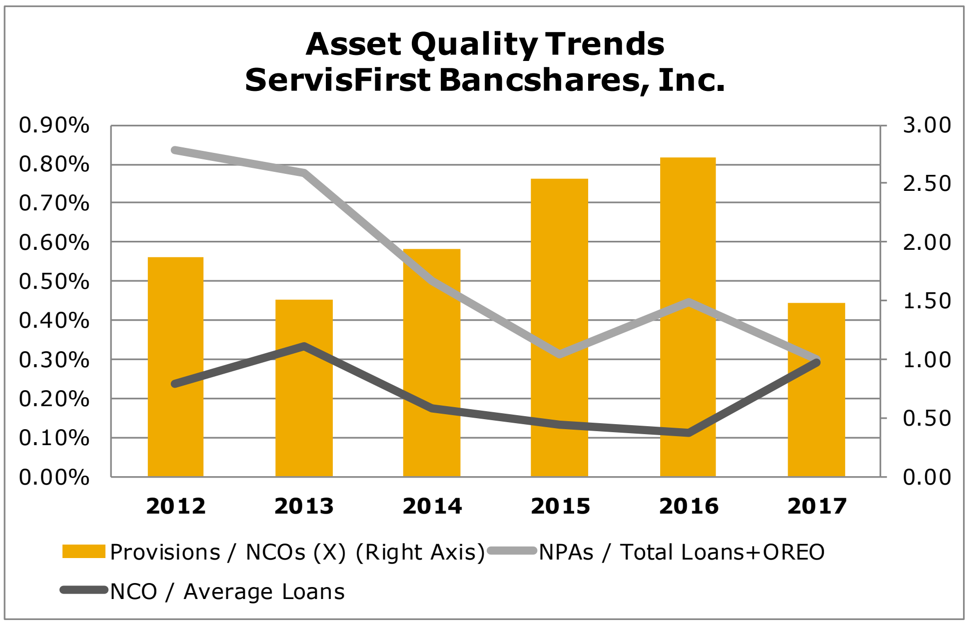
Results in 2017 remained in line with KBRA's expectations, including above-peer profitability, with an ROAA tracking above 1.40%, underpinned by low operating costs associated with a highly efficient branch network and higher loan yields, which outpaced rising funding costs. The yield on loans and leases increased 15 basis points from year-end 2016, reflecting widespread growth across the operating footprint, offsetting the twelve basis point rise in the cost of interest-bearing deposits and contributing to an improved NIM of 3.65%, compared to 3.39% in the prior year. That said, SFBS remains highly spread-reliant with noninterest income representing approximately 8% of revenue in 2017 and management does not intend to foray outside of its current business lines, though notes opportunities within its correspondent banking segment. Provisions for loan and lease losses were notably higher in 2017, largely owing to the charge-off of one commercial relationship in the fourth quarter. Moreover, the Company recorded $3.1 million in charges related to the revaluation of net deferred tax assets in the fourth quarter.

ServisFirst continues to lead a strong culture of cost control, as evidenced by its core noninterest expense to average assets and efficiency ratios, which have been below 1.5% and 40%, respectively, for a multi-year period. This operating efficiency is sustained by the Bank's "branch light" approach that encompasses a resourceful and efficient branch network, with single branches typically holding an average of $321 million in deposits. Furthermore, SFBS utilizes a leveraged technology platform as well as a centralized risk infrastructure and credit platform, while outsourcing select procedures such as data processing, loan servicing, and deposit processing. Altogether, these efforts provide a cushion for SFBS to absorb rising funding costs.

Looking forward, given the current economic conditions, ServisFirst appears well positioned to deliver operating results in line with its historical performance. The Company is expected to remain competitive in its current markets of operation, where it commands relatively strong market shares. Moreover, the Company is poised for growth opportunities in current and contiguous Southeastern geographies.

Asset Quality

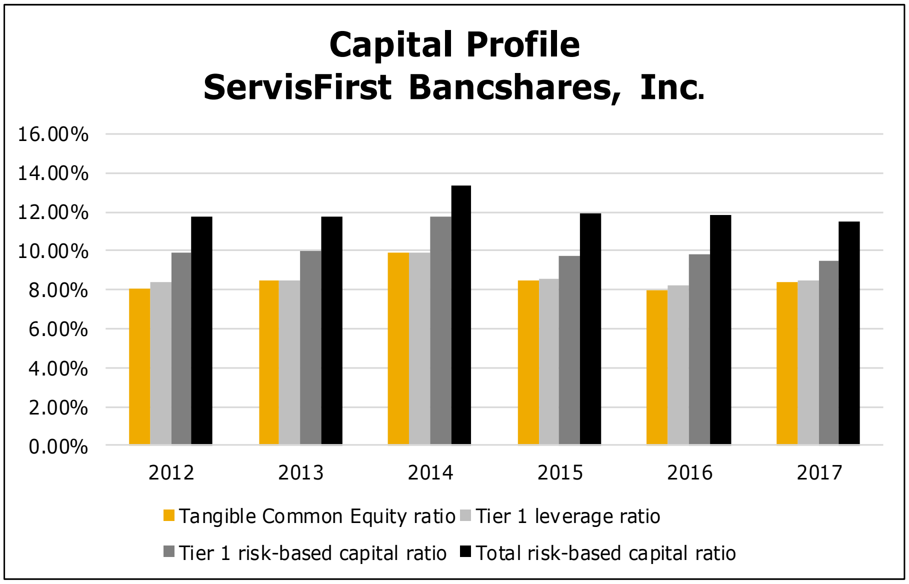
Credit quality remained relatively stable and favorable in 2017, as expected, given the Company's strong credit culture and the generally benign credit environment. Nonperforming assets (NPA)-to-loans plus OREO improved to 0.30%, from 0.44%, while reserve coverage also improved at year-end 2017, outperforming similarly situated peers. At December 31, 2017, net charge-offs (NCO)-to-average loans increased to 0.29%, from 0.11% in the prior year. The uptick in NCOs was primarily the result of an aggressive strategy taken in the fourth quarter to charge-off certain problem assets, primarily a $5.8 million charge-off on one commercial loan, in light of the benefits linked to the latest tax reform. SFBS continues to foster a relationship-based business model and diligently monitors problem loans.



Data Source: ServisFirst Bancshares, Inc.'s Forms FR Y-9C

Capital Adequacy

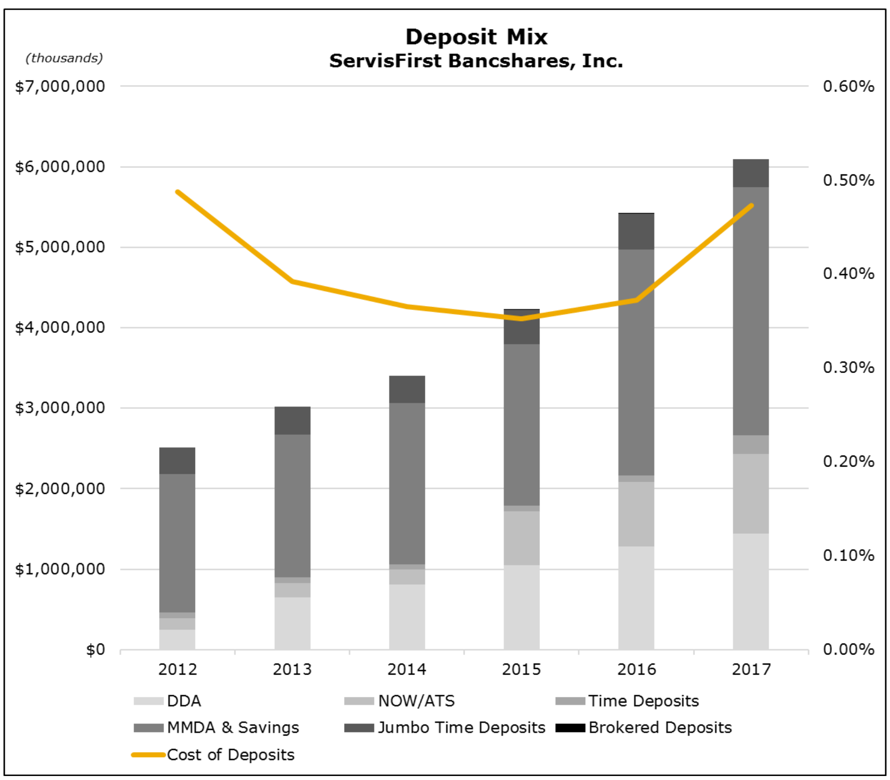
SFBS's cumulative asset growth has been tracking in the 20% range for the last five years, yet capital levels have been relatively stable, albeit in the lower bracket of similarly situated peers. That said, the Company has strong internal capital generation capability and has demonstrated its ability to access capital market funds. Most recently, the Company completed a $30 million subordinated debt offering in November of 2017 and used approximately $20 million of the proceeds to redeem higher cost subordinated notes due in 2022, while the remainder was held for general corporate purposes. Internal capital targets are viewed as acceptable. While below peer, KBRA considers ServisFirst's current capital position and capital management strategies as sufficient in view of the institution's risk profile, though notes that a decline in current capital measures or the adoption of more aggressive capital management could pressure the ratings. The double leverage ratio of approximately 110% does not pose a concern.



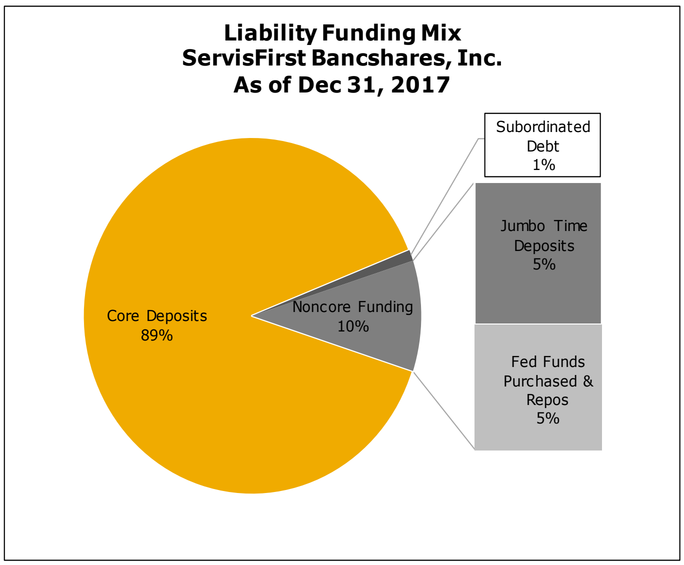
Data Source: ServisFirst Bancshares, Inc.'s Forms FR Y-9C

Funding

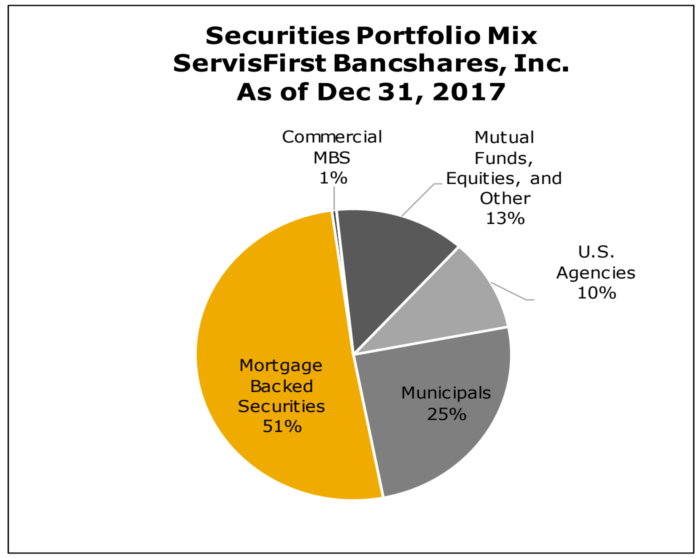
ServisFirst Bank operates a deposit rich franchise, sustained by a traditional banking model. Core deposits continue to be the primary source of funding for the Bank, representing 89% of total liabilities at December 31, 2017. Moreover, the loan-to-deposit ratio has been comfortable for the past several years. The deposit base remains well diversified by customer and large deposits consisted of operating accounts of long-term commercial and industrial (C&I) relationships. In terms of products, money market deposits and other savings accounts made up over half of the core deposits base. SFBS also benefits from a 24% noninterest bearing deposit component.



Beyond deposits, ServisFirst's ample liquidity profile is highlighted by a large and growing correspondent-banking network that constitutes a practical source of short-term funding. At year-end 2017, the Bank had utilized $301.8 million in federal funds purchased from its correspondent banking unit. Additionally, ServisFirst had access to $468.0 million in available lines of credit. The investment securities portfolio offers another source of short-term liquidity, though remains small, representing less than 10% of total assets at year-end 2017. The $538.3 million portfolio was largely classified as available for sale, and appears conservative, as investments are primarily in U.S. government and sponsored agencies, and mortgage backed securities, with an effective duration of approximately 3 years. Management intends to maintain at least $2 to $5 million of cash at the holding company, which covers debt service expense in the short to medium term.



Data Source: ServisFirst Bancshares, Inc.'s Forms FR Y-9C



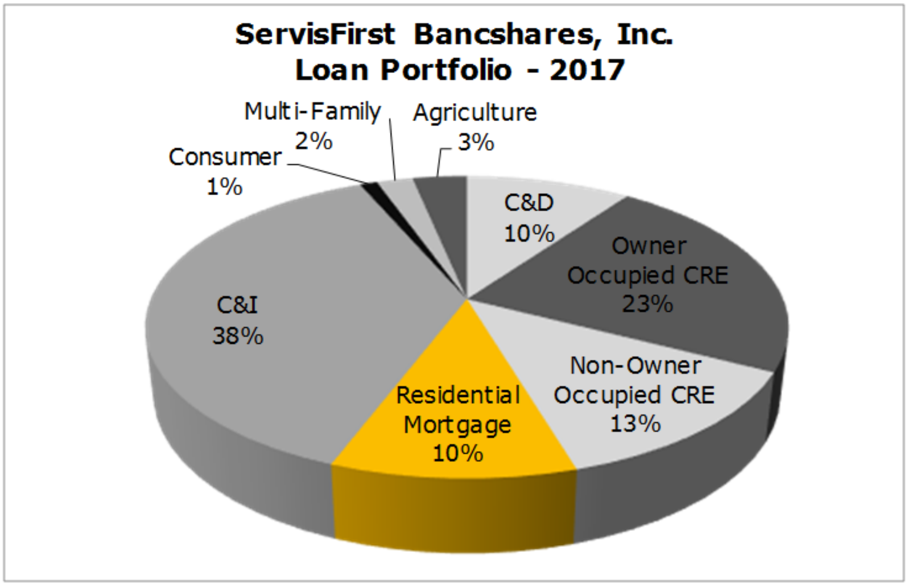
Data Source: ServisFirst Bancshares, Inc.'s Forms FR Y-9C

Key Qualitative Rating Determinants

The qualitative aspects of ServisFirst Bancshares, Inc. were assessed using a scoring model that focuses on four key factors: market strategy, risk management, liquidity management, and the economic and regulatory framework. For the most part, ServisFirst Bancshares, Inc. scored above average. For qualitative aspects, KBRA relies principally on discussions with management supplemented by publicly available data, regulatory filings and KBRA's view of the economic and regulatory environment. The following describes KBRA's qualitative assessment for ServisFirst Bancshares, Inc.:

Market Strategy

ServisFirst Bank is a full-service bank primarily engaged in commercial banking, cash management, private banking, and providing services to professional consumers. In addition, SFBS has a correspondent banking business, encompassing relationships with approximately 332 small community banks. Primarily operating in the affluent MSAs of Alabama, Florida, Georgia, South Carolina, and Tennessee, SFBS has maintained significant market shares in key markets located in its home state of Alabama as well as in targeted regions of Florida, though lacks a regional presence. Looking forward, the Bank is expected to focus on growth opportunities within its existing footprint including Birmingham, Huntsville, Montgomery, Dothan, and Mobile, Alabama and contiguous, economically vibrant southeastern markets such as Pensacola and Tampa Bay, FL; Nashville, TN; Charleston, SC; and Atlanta, GA.



Data Source: ServisFirst Bancshares, Inc.'s Forms FR Y-9C

ServisFirst's management team is highly experienced, with established tenures in the banking industry. Top executives and regional CEOs have strong backgrounds and prior experience working at larger banking institutions. KBRA notes management's ability to grow the Company at an average annual rate above 12%, predominately through organic means, since inception, while retaining profitability and maintaining strong asset quality metrics. Notably, despite reporting lower earnings during the crisis years, SFBS remained profitable through the downturn. In addition, a core strength of the Bank resides in the "branch light" business model, focusing on the optimization of each branch location. Furthermore, the Company operates a scalable and decentralized business model where regional CEOs drive revenue. In tandem with these strategies, ServisFirst's expansion targets organic growth opportunities in footprint and select, Southern markets with strong growth prospects and a plentiful availability of experienced bankers. The Company believes that this approach supports its mission of delivering high quality customer service, while facilitating the development of long-term, multiple channel relationships. Overall, SFBS appears well positioned given market dynamics and management's risk appetite appears in line with the Company's business model.

Lending is targeted to middle market commercial customers, largely consisting of privately held businesses with $2 million to $250 million in annual sales and high net worth individuals that the Company views as underserved by larger regional banks within its natural footprint. As noted, the Company emphasizes high quality customer service that promotes long-term, multiple product relationships with customers. Moreover, through its correspondent banking operations, which targets smaller community banks, SFBS currently serves over 330 community banks spanning the southeastern states. Going forward, the Company foresees opportunity to augment noninterest income arising from its network of correspondent banks, though noninterest income is not expected to comprise a material portion of the revenue stream. That said, the revenue stream lacks diversity, in common with many peers. Altogether, KBRA views ServisFirst's market strategy as average to strong.

Risk Management

SFBS' risk management framework appears comprehensive and the Company has not recorded any losses related to lapses in this area. The Company utilizes a centralized risk and credit platform to ensure uniformity across all businesses, which supports decentralized, regional oversight. Regional CEOs manage processes at individual branch locations, while adhering to corporate policies and procedures.

ServisFirst has a conservative and prudent credit culture, reflected by its strong asset quality. Lending authority is granted to individual loan officers based on seniority. Commitments to single borrowers that exceed an officers' limit, of amounts up to $3 million, require further approval from the regional CEO and/or senior management, including a regional credit officer. Any credit $3 million or greater must be approved by the CEO, chief credit officer, and COO. Additionally, the chief credit officer reviews all loans over $1 million. Loan officers use a nine-point risk grade scale to assign risk grades to lending relationships and are responsible for reporting any changes in the risk grade of a loan in a timely fashion. General risks associated with CRE lending are partially mitigated by shorter maturities and careful monitoring of borrower concentration in addition to well-defined lending tolerances. Controls for real-estate construction loans, specifically, include weekly monitoring of any past due accounts; monthly credit review for all watch-list-classified loans, including the development of aggressive action plans; and loans for new construction are generally restricted to established builders with a proven history of successful turnovers. Moreover, SFBS generally avoids funding undeveloped property. Policy limits for LTVs conform to regulatory guidelines, while DSC ratios are based on product type. Overall, ServisFirst scores average to strong for this category.

Liquidity Management

ServisFirst's liquidity risk oversight and monitoring appears similar to that of peers with comprehensive review processes in place and established tolerances. The Company assesses liquidity on a weekly basis through systematic monitoring and performs internal liquidity stress testing. While primarily deposit funded, the Bank also has access to varied sources of market funds. If necessary, the Bank can post additional collateral to meet liquidity requirements and has access to borrowing lines with correspondent banks. Furthermore, liquidity requirements are sufficiently covered by the Company's available cash and other liquidity sources for a 12-month or greater duration. In the context of rising interest rate environment, SFBS continues to monitor its interest rate sensitivity on a regular basis. ServisFirst scores average for this component.

Economic and Regulatory Framework

Overall, the U.S. banking system has a strong regulatory framework. Banking institutions continue to adjust and comply with several additional rules and regulations resulting from the Dodd-Frank Wall Street Reform and Consumer Protection Act and the new Basel III standards. That said, the recent dynamic shift in tone surrounding the regulatory environment, enforcement, and the potential easing of regulatory burden, have all led to an increase in uncertainty, which KBRA will be monitoring on an ongoing basis. The latest research on this and other topics can be found **here**. Despite this, SFBS scores strong for this category.

External Support

Pursuant to the 2010 Dodd-Frank Act, U.S. regulators have been in the process of creating a working resolution regime for large systemically important banks so that their potential failure does not lead to a systemic crisis. There is the possibility that the new U.S. administration may change this resolution regime as part of its review of the Dodd-Frank Act. KBRA believes that for the foreseeable future, non-systemically important depositories such as the Bank and uninsured depositors may benefit from some degree of extraordinary systemic support. However, KBRA does not foresee any regulatory support being extended to creditors or investors.

Outlook

The Stable Outlook for ServisFirst's long-term ratings incorporates the expectation that the Company's current credit profile, underpinned by its above-peer earnings performance, strong asset quality metrics, and proven market strategy, would remain relatively consistent in a less constructive economic environment.

Drivers of Rating Change

Rating Upgrade

The long-term ratings of the Bank and its parent share a Stable Outlook, and in KBRA's view, a rating upgrade in the near future is not expected. However, significant diversification of the revenue stream, above-peer capital, and continued above-peer earnings performance could facilitate positive ratings momentum.

Rating Downgrade

The ratings assigned to SFBS incorporate a certain degree of resilience based upon KBRA's stress testing. Therefore, a rating downgrade in the near term is unlikely. Still, significant deterioration in earnings or asset quality beyond the stress scenarios could pressure the ratings. Moreover, aggressive capital planning or an elevated cost of funding that impairs earnings could lead to negative rating implications.