ServisFirst Bancshares, Inc.

Ratings

ServisFirst Bancshares, Inc.	
Action: Affirmed	**4/22/22**
Senior Unsecured Debt	BBB+
Subordinated Debt	BBB
Short-Term Debt	K2

ServisFirst Bank	
Action: Affirmed	**4/22/22**
Deposit	A-
Senior Unsecured Debt	A-
Subordinated Debt	BBB+
Short-Term Deposit	K2
Short-Term Debt	K2

KBRA Bank & Bank Holding Company Global Rating Methodology dated November 8, 2021.
KBRA ESG Global Rating Methodology dated June 16, 2021.

Outlook/Watch

ServisFirst Bancshares, Inc.	
Long-Term Ratings	Stable

ServisFirst Bank	
Long-Term Ratings	Stable

Financial Snapshot

SFBS (%)	1Q22	YE21
Total Assets ($B)	15.3	15.4
ROAA	1.53	1.54
NIM	2.89	2.95
NCO Ratio	0.11	0.03
NPA Ratio	0.22	0.14
TCE Ratio	7.6	7.4
CET1 Ratio	9.9	10.0
Loans/Core Dep	83	80

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Company Profile

- ServisFirst Bancshares, Inc. (NYSE: SFBS) ("ServisFirst" or "the company"), headquartered in Birmingham, Alabama, is a $15.3 billion-asset bank holding company that conducts operations through its lead subsidiary, ServisFirst Bank ("the bank"). With a branch-light network of 24 branches and three LPOs, SFBS' footprint covers prominent southeastern MSAs, situated in contiguous states of Alabama, Tennessee, South Carolina, Georgia, Florida, and most recently North Carolina.
- The company's high-touch, commercially oriented banking franchise provides cash management, private banking, and correspondent banking services, primarily targeting businesses and high net worth consumers.
- ServisFirst's loan portfolio remained C&I-focused, representing 50% of total loans (including 20% owner-occupied CRE), though a certain degree of industry diversification exists within the C&I book. Investor CRE represented the second largest segment of the loan portfolio at 27% (including 5% multi-family). Meanwhile, the C&D book has grown to 11% of loans at YE21, as the company continued to redeploy its excess liquidity towards higher yielding assets. Residential mortgage made up 9% of loans at the end of 2021.
- Since its inception in 2005, SFBS has prioritized organic expansion, supplemented by the strategic acquisition of Metro Bank in 2015, which extended the company's footprint to the Atlanta MSA. KBRA expects organic growth as well as the talent acquisition of top bankers in current and contiguous southeastern markets to remain the near-term focus for SFBS.

Key Credit Considerations

- ServisFirst's ratings are supported by a seasoned management team that has been instrumental in building the franchise by prioritizing a traditional approach to banking, which emphasizes strong relationships with local borrowers. The ratings also reflect SFBS' durable earnings, with a multiyear ROA tracking above 1.5%. The company's strong returns are driven by a very low expense base, bolstered by a commercially centered, branch-light business model and strong back-office operations. In addition, earnings reflect appropriately risk-priced assets, with generally above average loan yields versus similarly situated peers. The ratings are further underpinned by SFBS' historically healthy asset quality performance, which has included manageable credit losses. KBRA views SFBS' loss absorption capacity as adequate, considering its current capital position in conjunction with loan loss reserves, which represented ~1.2% of loans at 1Q22. Constraints to the ratings include SFBS' spread-reliant revenue stream, though this has been consistent with the company's operations since inception, as management intentionally focuses on a commercial banking model, which has proven resilient. With respect to recent robust loan growth, which has included meaningful growth in C&D loans, we recognize ServisFirst as a disciplined underwriter with solid monitoring procedures in place. That said, we acknowledge that capital ratios, including the CET1 ratio at 9.9% as of 1Q22, continue to track at the lower end of its peer group and we would expect capital metrics to trend moderately higher over time.

Rating Sensitivities	
The Stable Outlook reflects KBRA's view that a rating change is not expected in the near term.	+
A further decline in core capital, specifically if the CET1 ratio were to trend below the current level, or significant deterioration in credit quality, leading to a substantial decline in earnings could have negative rating implications.	−

1Q22 Performance and Highlights

Key Financial Ratios (%)	1Q22	4Q21	1Q21
ROAA	1.53	1.40	1.72
NIM	2.89	2.71	3.20
Efficiency	32.7	35.4	28.7
Net Charge-Offs / Average Loans	0.11	0.03	0.02
NPLs / Total Loans	0.20	0.13	0.21
Loan Loss Reserves / Total Loans	1.21	1.22	1.12
Tangible Common Equity Ratio	7.6	7.4	8.1
Common Equity Tier 1 (CET1) Ratio	9.9	10.0	10.7

- ServisFirst's operating results for 1Q22 were strong and generally in line with KBRA's expectations for the rating category. Performance highlights included sustained loan growth that partially mitigated the impact of continued pressure on average loan yields, while management continued to redeploy excess liquidity.
- NII increased by 4% sequentially, benefitting from strong broad-based core loan growth of 21% annualized (excluding PPP loans). NIM improved by 18 bps sequentially to 2.89% in 1Q22, driven by a modest improvement in the earning assets mix following the redeployment of excess funds (excess liquidity of ~25% in 1Q22 compared to 31% in 4Q21) and as management sold certain low yielding securities, with the yield on interest earning assets improving to 3.10% in 1Q22 versus 2.92% in 4Q21. Nonetheless, we note continued pressure on average loan yields (4.34% in 1Q22 versus 4.40% in 4Q21), as cash balances remain elevated and continued to impact margins. Deposits were flat sequentially, largely due to a decline in correspondent banks balances and the cost of interest-bearing deposits incrementally improved to 0.32% in 1Q22. Noninterest income remains a minor revenue contributor, though increased by ~8% primarily driven by higher service charges on deposit accounts and other operating income, partially offset by a $3.3 million loss on the sale of securities. Noninterest expense for 1Q22 decreased by 3%, sequentially, largely due to lower core system conversion expenses ($874,000 in 1Q22 versus $3 million in 4Q21). Noninterest expense to average earning assets was stable at 1% in 1Q22, though SFBS' efficiency ratio remains below-peer, in part, due to its limited branch network and focus on disciplined expense management.
- Asset quality measures were strong, despite a small sequential uptick in both nonperforming assets and net charge-off activity. More importantly, the increase in nonperforming loans was not related to any negative trends in the loan portfolio and management strongly anticipates a $4 million reduction in NPAs following the pending sale of two loans in the short term. With respect to the NCO ratio at 11 bps at 1Q22, management indicated that 50% of the credit expense was driven by a single relationship with isolated issues to which management aggressively responded through assets liquidation. Provisions ($5.4 million in 1Q22 versus $8.5 million in 4Q21) remained commensurate with loan growth. Meanwhile, the LLR ratio remained stable at 1.21% in 1Q22 and is viewed relatively conservative, considering healthy underlying credit trends, though the credit environment has been generally benign thus far.
- Capital ratios have been largely stable, particularly core capital ratios, considering the impact of declining cash balances. We maintain our view that the company's capital protection derived from current capital levels and the additional cushion provided by reserves, remain sufficient— albeit below peer average, considering its fundamental risk profile, including a risk weighted density ratio, recently tracking below 75%.

Financial Metrics

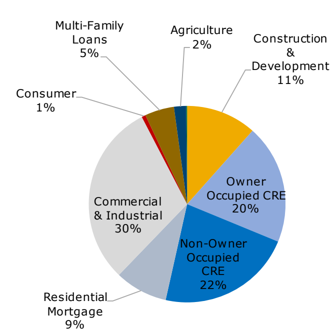
SUMMARY FINANCIAL HIGHLIGHTS SERVISFIRST BANCSHARES, INC.	4Q21	3Q21	2Q21	1Q21	4Q20	2021	2020	2019	2018	2017
Balance Sheet ($ millions)										
Loans (HFI)	9,533	8,813	8,650	8,505	8,466	9,533	8,466	7,261	6,533	5,851
Average Earning Assets	14,795	13,402	12,359	11,649	11,217	13,052	10,203	8,326	7,028	6,229
Total Assets	15,449	14,602	13,207	12,647	11,933	15,449	11,933	8,948	8,007	7,082
Core Deposits	11,896	11,527	10,421	10,037	9,425	11,896	9,425	7,069	6,494	5,749
Total Deposits	12,453	12,079	10,958	10,578	9,976	12,453	9,976	7,530	6,916	6,092
Total Equity	1,152	1,114	1,073	1,030	992	1,152	992	842	715	607
Tangible Common (TCE)	1,138	1,100	1,059	1,016	978	1,138	978	828	700	592
Income Statement ($ millions)										
Net Interest Income	101.2	96.3	94.7	92.4	92.1	384.5	338.0	287.6	262.7	227.4
Noninterest Income	7.3	7.9	8.0	6.3	8.2	29.5	28.3	23.7	21.3	19.0
Noninterest Expense	38.5	34.3	30.3	26.7	28.2	129.8	109.7	101.8	94.0	85.9
Provision for Loan Losses	8.5	6.0	9.7	7.5	6.3	31.5	42.4	22.6	21.4	23.2
Net Income	53.8	52.5	50.0	51.5	51.0	207.7	169.6	149.2	136.9	93.1
Performance Measures (%)										
Return on Average Assets	1.41%	1.51%	1.56%	1.70%	1.75%	1.54%	1.60%	1.73%	1.88%	1.43%
Return on Average Equity	18.9%	19.1%	18.9%	20.2%	20.9%	19.3%	18.6%	19.2%	20.8%	16.4%
Risk Weighted ROA	1.93%	2.14%	2.10%	2.30%	2.29%	2.11%	2.09%	2.02%	2.11%	1.62%
Net Interest Margin (TE*)	2.72%	2.88%	3.07%	3.18%	3.29%	2.95%	3.32%	3.47%	3.79%	3.68%
Average Loan Yield	4.43%	4.43%	4.41%	4.40%	4.45%	4.42%	4.45%	5.16%	4.97%	4.61%
Cost of Interest-Bearing Deposits	0.33%	0.34%	0.36%	0.38%	0.45%	0.35%	0.70%	1.59%	1.16%	0.69%
Loans / Earning Assets	61%	65%	70%	73%	76%	67%	80%	82%	87%	86%
Noninterest Income / Op. Revenue	7%	8%	8%	6%	8%	7%	8%	8%	8%	8%
Efficiency Ratio	35%	33%	30%	27%	28%	31%	30%	33%	33%	35%
Asset Quality (%)										
NPA / Loans + OREO	0.14%	0.19%	0.22%	0.23%	0.30%	0.14%	0.30%	0.61%	0.50%	0.30%
LLR / Loans (HFI)	1.22%	1.24%	1.21%	1.12%	1.04%	1.22%	1.04%	1.05%	1.05%	1.02%
LLR / NPL	964%	753%	609%	530%	464%	964%	464%	212%	247%	549%
NCO / Average Loans	0.03%	0.08%	(0.01%)	0.02%	0.41%	0.03%	0.36%	0.32%	0.20%	0.29%
Provision / NCO (x)	11.4	3.5	N/A	15.3	0.7	11.3	1.5	1.0	1.8	1.5
NPA Change Rate	(20%)	(14%)	(4%)	(22%)	(24%)	(48%)	(43%)	34%	88%	(20%)
Capital (%)										
TCE Ratio	7.4%	7.5%	8.0%	8.0%	8.2%	7.4%	8.2%	9.3%	8.8%	8.4%
Leverage Ratio	7.4%	7.8%	8.1%	8.3%	8.2%	7.4%	8.2%	9.1%	9.1%	8.5%
CET 1 ratio	10.0%	10.4%	10.6%	10.7%	10.5%	10.0%	10.5%	10.5%	10.1%	9.5%
Tier 1 Ratio	10.0%	10.4%	10.6%	10.7%	10.5%	10.0%	10.5%	10.5%	10.1%	9.5%
Total Capital Ratio	11.6%	12.1%	12.4%	12.5%	12.2%	11.6%	12.2%	12.3%	12.0%	11.5%
Leverage & Funding (%)										
Loans / Deposits	77%	73%	79%	81%	85%	77%	85%	97%	94%	96%
Loans / Core Deposits	80%	76%	83%	85%	90%	80%	90%	103%	101%	102%
Core Deposits / Total Funding	84%	86%	86%	87%	87%	84%	87%	88%	89%	89%
Double Leverage (Incl TRuPS)	105%	106%	106%	106%	106%	105%	106%	107%	109%	110%
RWA / Total Assets	73%	71%	74%	74%	77%	73%	77%	88%	87%	88%

Source: KBRA Research, Company Reports, Y9C

*Note: Beginning in 2020, NIM for BHCs with assets less than $5 billion is not TE due to reporting limitations

Loan Composition ($ millions)	2021	2020	2019	2018	2017
Construction & Development	1,103	594	521	533	581
Owner Occupied CRE	1,874	1,693	1,587	1,464	1,329
Non-Owner Occupied CRE	2,124	1,687	1,331	1,045	749
Residential Mortgage	828	726	651	622	608
Commercial & Industrial	2,878	3,188	2,594	2,404	2,211
Consumer	63	63	61	61	60
Multi-Family Loans	459	316	300	161	128
Leases	0	0	0	0	0
Agriculture	191	200	208	219	173
Other	14	12	15	25	18
Total Loans	9,534	8,480	7,268	6,534	5,856
Loans Held for Sale (HFS)	1	14	6	0	4
Loans Held for Investment (HFI)	9,533	8,466	7,261	6,533	5,851
Annual Loan Growth	12%	17%	11%	12%	19%
Investor CRE / Total Loans	39%	31%	30%	27%	25%
C&D / Risk-Based Capital	84%	53%	54%	64%	81%
Investor CRE / Risk-Based Capital	286%	238%	228%	212%	207%

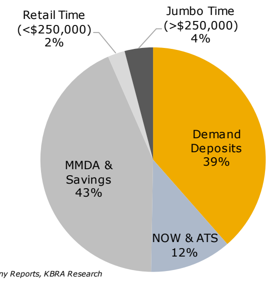
Loan Composition



Source: Company Reports, KBRA Research

Deposit Composition					
($ millions)	2021	2020	2019	2018	2017
Domestic Deposits					
Demand Deposits	4,800	2,789	1,750	1,557	1,440
NOW & ATS	1,462	1,307	994	964	991
MMDA & Savings	5,378	5,062	4,058	3,715	3,089
Time Deposits					
Retail Time (<$250,000)	306	317	267	258	229
Jumbo Time (>$250,000)	507	500	461	422	343
Foreign Deposits	0	0	0	0	0
Total Deposits	12,453	9,976	7,530	6,916	6,092
Total Core Deposits	11,896	9,425	7,069	6,494	5,749
Total Non-interest Bearing	4,800	2,789	1,750	1,557	1,440
Annual Core Deposit Growth Rate	26%	33%	9%	13%	16%

Deposit Composition



Source: Company Reports, KBRA Research

Comparative Statistics

Peer Comparison as of 4Q2021						
Company Name	SERVISFIRST BANCSHARES, INC.	FIRST BANCSHARES, INC., THE	RENASANT CORPORATION	UNITED COMMUNITY BANKS, INC.	AMERIS BANCORP	PINNACLE FINANCIAL PARTNERS, INC.
State	AL	MS	MS	GA	GA	TN
Balance Sheet ($000's)						
Total Assets	15,448,806	6,077,413	16,810,311	20,952,249	23,858,303	38,469,399
Total Risk Weighted Assets	11,289,497	3,563,112	11,753,000	13,548,534	18,150,498	29,349,534
Risk Weighted Density	73%	59%	70%	65%	76%	76%
Loans (HFI)	9,532,934	2,959,553	10,020,914	11,760,346	15,874,258	23,414,262
Total Deposits	12,452,836	5,226,782	13,905,724	18,249,346	19,665,553	31,307,558
Loans / Deposits	77%	57%	75%	65%	87%	75%
Loans / Core Deposits	80%	58%	77%	66%	91%	80%
Performance Measures						
ROAA	1.54%	1.17%	1.11%	1.40%	1.73%	1.48%
ROAE	19.3%	9.8%	8.0%	12.8%	13.3%	10.3%
Return on Risk Weighted Assets	2.10%	1.99%	1.58%	2.17%	2.27%	1.94%
NIM	2.95%	3.23%	3.04%	3.06%	3.33%	2.85%
Average Loan Yield	4.26%	5.11%	4.17%	4.28%	4.11%	3.99%
Cost of Interest Bearing Dep.	0.35%	0.37%	0.33%	0.14%	0.20%	0.27%
Noninterest Bearing / Total Dep.	39%	14%	34%	38%	40%	33%
Noninterest Inc./ Total Rev.	7%	19%	35%	22%	36%	30%
Efficiency	31.3%	59.0%	66.4%	56.1%	54.8%	49.7%
Asset Quality						
NCO / Average Loans	0.03%	0.14%	0.10%	0.00%	0.04%	0.17%
NPA / Loans + OREO	0.14%	1.03%	0.50%	0.27%	0.43%	0.17%
LLR / NPL	964%	110%	328%	333%	244%	795%
LLR / Loans (HFI)	1.22%	1.04%	1.64%	0.87%	1.06%	1.12%
Capital						
TCE	7.4%	8.3%	7.9%	8.0%	8.0%	8.8%
Tier 1 Leverage	7.4%	9.2%	9.1%	8.7%	8.6%	9.7%
CET1	10.0%	13.7%	11.2%	12.5%	10.5%	10.9%
Loan Portfolio						
C&I Loans/Total Loans	30%	12%	12%	25%	14%	30%
ICRE Loans/Total Loans	39%	33%	40%	33%	37%	37%
C&D Loans / Total Loans	12%	12%	13%	12%	8%	12%

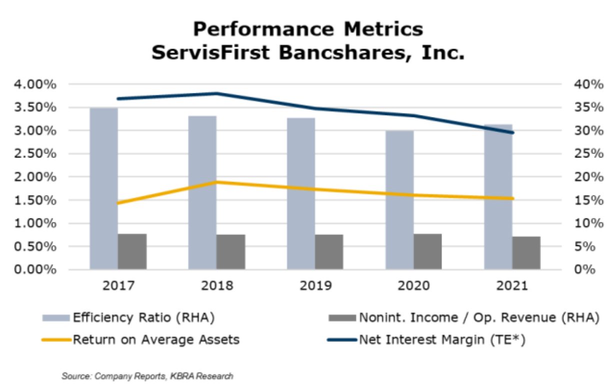
Peer Comparison Trends									
	SERVISFIRST BANCSHARES, INC.	Benchmark $10-$100BN	KBRA Peers BBB+	SERVISFIRST BANCSHARES, INC.	Benchmark $10-$100BN	KBRA Peers BBB+	SERVISFIRST BANCSHARES, INC.	Benchmark $10-$100BN	KBRA Peers BBB+
Time Period	2021	2021	2021	2020	2020	2020	2019	2019	2019
Balance Sheet ($ in mlns)									
Total Assets	15,449	28,464	15,996	11,933	25,524	14,267	8,948	21,439	11,882
Total Risk Weighted Assets	11,289	19,429	11,176	9,129	18,001	10,144	7,835	16,436	9,328
Loans (HFI)	9,533	15,942	9,958	8,466	15,588	9,734	7,261	13,886	8,543
Total Deposits	12,453	21,428	13,271	9,976	19,207	11,611	7,530	15,320	9,257
Average Loans / Average Earning Ass	66.9%	66.5%	70.0%	79.8%	73.2%	77.6%	82.5%	75.3%	79.4%
Performance Measures (%)									
Return on Average Assets	1.54%	1.26%	1.34%	1.60%	0.73%	0.85%	1.73%	1.24%	1.33%
Return on Average Equity	19.3%	11.6%	11.8%	18.6%	6.5%	7.5%	19.2%	10.0%	10.5%
Return Weighted ROA	2.09%	1.87%	1.97%	2.08%	1.05%	1.20%	2.02%	1.67%	1.71%
Net Interest Margin (TE*)	2.95%	2.83%	3.16%	3.32%	3.06%	3.42%	3.46%	3.43%	3.79%
Average Loan Yield	4.42%	3.98%	4.33%	4.45%	4.20%	4.52%	5.16%	4.99%	5.21%
Cost of Interest Bearing Deposits	0.35%	0.22%	0.23%	0.70%	0.53%	0.58%	1.59%	1.08%	1.10%
Noninterest Income / Op. Revenue	7.1%	26.6%	21.8%	7.7%	26.3%	22.1%	7.6%	24.5%	20.5%
Efficiency Ratio	31.3%	58.8%	56.8%	29.9%	64.9%	60.6%	32.7%	59.6%	57.9%
Asset Quality (%)									
NPA / Loans + OREO	0.14%	0.51%	0.47%	0.30%	0.66%	0.61%	0.61%	0.59%	0.53%
LLR / Loans(HFI)	1.22%	1.19%	1.24%	1.04%	1.41%	1.45%	1.05%	0.81%	0.72%
LLR / NPL	964%	381%	398%	464%	316%	313%	212%	351%	372%
NCO / Average Loans	0.03%	0.08%	0.09%	0.36%	0.20%	0.16%	0.32%	0.14%	0.16%
Capital (%)									
TCE Ratio	7.4%	8.5%	8.4%	8.2%	8.8%	8.7%	9.3%	9.5%	9.3%
Leverage Ratio	7.4%	9.3%	9.1%	8.2%	9.4%	9.3%	9.1%	10.1%	10.0%
CET 1 Ratio	10.0%	12.8%	12.0%	10.5%	12.5%	12.0%	10.5%	12.2%	11.5%
Tier 1 Ratio	10.0%	13.3%	12.7%	10.5%	13.1%	12.6%	10.5%	12.8%	12.2%
Total Capital Ratio	11.6%	15.1%	15.1%	12.2%	15.1%	15.5%	12.3%	14.2%	14.0%
Leverage & Funding (%)									
Noninterest Bearing / Total Dep.	38.5%	31.7%	34.8%	28.0%	29.1%	30.6%	23.2%	25.0%	26.4%
Loans / Deposits	76.6%	76.6%	75.5%	85.0%	84.8%	84.7%	96.5%	92.9%	92.6%
Loans / Core Deposits	80.1%	83.4%	80.0%	90.0%	92.4%	92.7%	102.8%	105.2%	102.5%
RWA / Total Assets	73.1%	68.1%	69.4%	76.5%	69.4%	70.5%	87.6%	76.4%	78.0%
Double Leverage (Incl TruPS)	105.3%	100.5%	102.8%	106.0%	100.4%	102.7%	107.5%	100.4%	102.3%
Loan Portfolio (%)									
C&I Loans / Total Loans	30.2%	19.6%	17.1%	37.6%	23.1%	21.0%	35.7%	19.5%	17.3%
Investor CRE / Total Loans	39.2%	35.4%	39.8%	31.2%	33.0%	37.3%	30.3%	33.5%	37.8%
Investor CRE / Risk-Based Capital	286%	215%	241%	238%	213%	236%	228%	224%	252%
C&D Loans / Total Loans	11.6%	6.8%	8.6%	7.0%	6.4%	8.1%	7.2%	6.8%	8.9%
C&D Loans / Risk-Based Capital	84.4%	39.6%	51.5%	53.3%	40.4%	50.9%	54.0%	44.1%	58.4%

*Annualized **NIM is presented as TE unless data is not available
Source: Company Reports, KBRA Research

Key Quantitative Rating Determinants

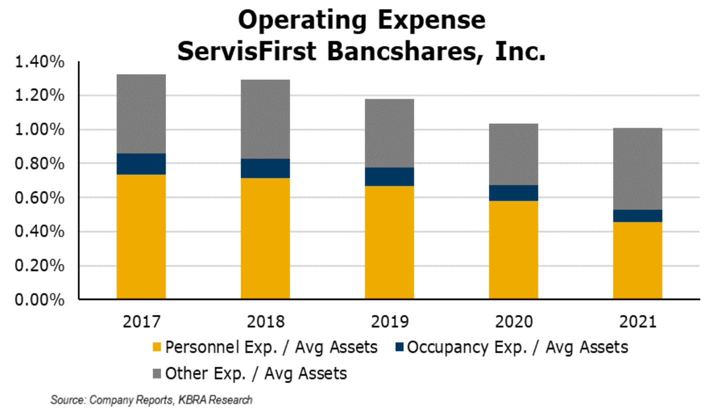
The quantitative financial fundamentals of the bank are derived from the analysis of the bank's intrinsic financial strength and potential adjustments due to KBRA's stress testing as well as an analysis of current and historical financial metrics.

Performance



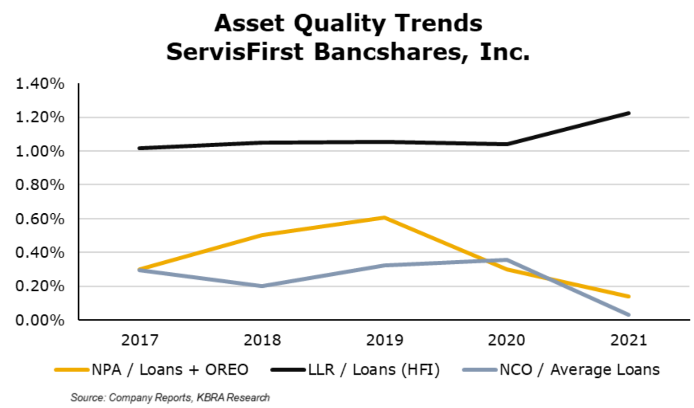
SFBS' multi-year earnings performance has been consistently within the top quartile of similarity sized peers, underscored by manageable credit costs and a consistent focus on expense control, supported by a branch-light banking model. A testament to the durability of its franchise, the company delivered solid returns through the pandemic, maintaining the ROA ratio above 1.5% through the first quarter of 2022. The impact of COVID-19 has been relatively benign within the company's footprint, and we noted that SFBS has not been aggressive in provisioning for loan losses following the onset of the pandemic, as has been the case with many peers. As a result, we observed continued provision build up, in pace with loan growth instead of reserve reversals. On a risk adjusted basis, SFBS reported 2.1% in ROA in 2021, moderately above the average for similarly rated peers. With regard to margins, we noted that loan yields have been resilient in 2021, as approximately 64% of SFBS' loan portfolio had a fixed rate as of December 31, 2021. Among the other factors that benefited NIM in 2021, we noted lower funding costs (0.20% in 2021 versus 0.31% in 2020). Nonetheless, NIM declined by 37 bps from 2020 to 2.95% for 2021, primarily due to the impact of excess liquidity and the low-rate environment.

We consider SFBS' limited revenue diversification as a constraint to the ratings. Noninterest income contribution has been below 8% for the past five years. The company's robust expense control provides a tradeoff for the impact of low fee income, given the historical and somewhat predictable level of operating expense reflected in an efficiency ratio that has tracked below 35% for a multi-year period. The company's operating efficiency is driven by a select branch network, with single branches typically holding an average of $541.4 million in deposits, as of December 31, 2021, while expense to average assets continues to outperform peers with a ratio of 1.02% for the full-year 2021. In recent years, ServisFirst also leveraged it technological platform to sustain operating efficiency and has been disciplined with regard to onboarding new employees. Overall, SFBS' track record of delivering above peer earnings performance, including through challenging economic conditions as demonstrated by the company's ability to navigate the financial crisis profitably, reflects the conservative and disciplined culture of its management team, which has been stable.



Asset Quality

SFBS' asset quality trends have generally been favorable, in part, as a result of the company's risk-focused management team with conservative underwriting and well-defined risk management policies. The lumpiness of certain C&I loans by their nature, has been a recurrent theme that occasionally resulted in an uptick in NPAs in pre-pandemic era. Management has been proactive in handling problem loans, as demonstrated by minimal NCOs maintained below 36 bps of average loans since 2017. That said, PPP and other government stimulus programs have been beneficial in managing potential challenges that could have emerged from the C&I book during the pandemic, in KBRA's view. Still, as shown in the adjacent graph, at year-end 2021, SFBS' NPA and NCO ratios have tracked below five years records. Inversely, LLR/loans ratio trajectory has been upward trending as management anticipates some level of higher credit costs activities in future periods as the effect of government stimulus continues to dissipate. KBRA considers ServisFirst's LLR ratio of 1.22% at YE21 as adequate and in line with the average for the rating category. Further, we expect management to maintain a conservative approach to reserve building going forward, in line with the CECL methodology that the company adopted in January 2020. Taking an historical view of the company's asset quality performance, we note a comparatively healthy performance, including through the global financial crisis, which, the company navigated profitably.

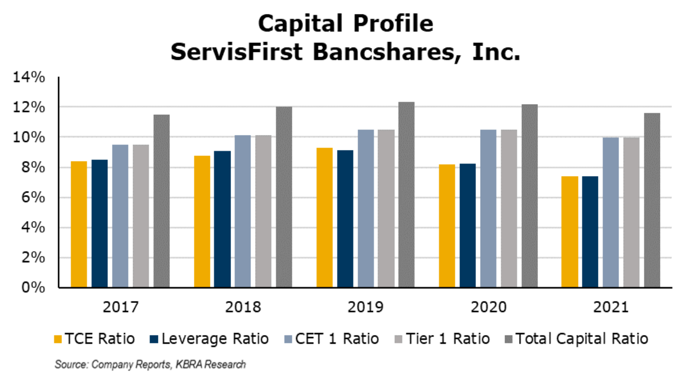


SFBS' $9.5 billion loan portfolio grew largely organically at an average annual rate of 14% over the past five years. The company's loan portfolio remains commercially focused, with C&I representing 50% of total loans (including 20% owner occupied CRE). We consider the C&I book sufficiently diversified in terms of industry concentration, which mitigates the risks exposure to this lending vertical in our view. The top three industries remained manufacturing (12%), wholesale (11%), and retail (11%), while other industries are represented in smaller percentages. That said, as mentioned above, a few loans within the C&I book, remain sizeable, representing a potential notable challenge on asset quality in a given period, should they deteriorate. Investor CRE remains the second largest segment of the loan portfolio at 27% (including 5% multi-family). The CRE loan book appears well managed, with minimal nonperforming loans. The top three industries within the CRE portfolio remained real estate (30%), healthcare & social assistance (10%), and service industry (9%). ServisFirst's exposure to the hospitality industry remained manageable at 6% of total loans at YE21, and no material pandemic-related challenges were noted within the portfolio. As KBRA continues to monitor the credit development of office and senior living facilities exposures, we note that SFBS' exposure to these industries remain manageable at 3% and 4% of total loans, respectively, at YE21. With unprecedented levels of excess liquidity on balance sheet, driven by government stimulus programs as well as the company's correspondent banking business vertical that increased the deposit balance, management intends to redeploy its excess liquidity towards higher yielding assets, while cautiously measuring risk / reward factors. As a result, C&D loan balances represented (11%) of loans at YE21, compared to 7% at YE20. The vast majority of new investments were made in multifamily construction projects, which represented 3.5% of total loans at YE21. The portfolio is well managed by an experience banker hired to build this lending segment.

Residential mortgage made up 9% of loans at YE21, up from 8% a year ago, largely in line with historical trends. Refreshed LTV and DCSR ratios appeared in line with the industry standards and regulatory guidelines, while credit concentrations remained in line with the company's established internal policy limits, with the CRE and C&D to risk-based capital ratios at 286% and 84%, respectively, at the end of 2021, though increased from 238% and 53%, respectively, at YE20.

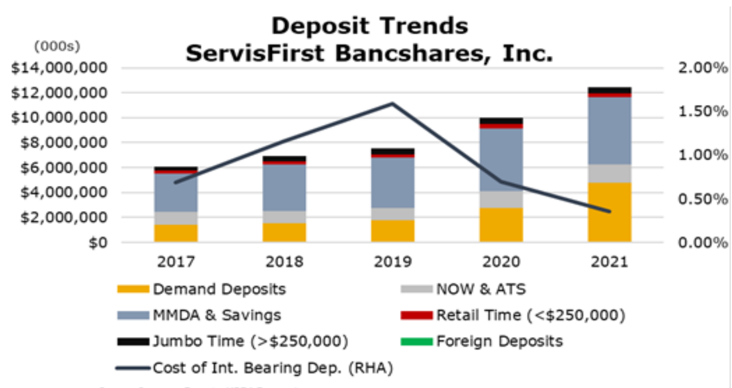
Capital

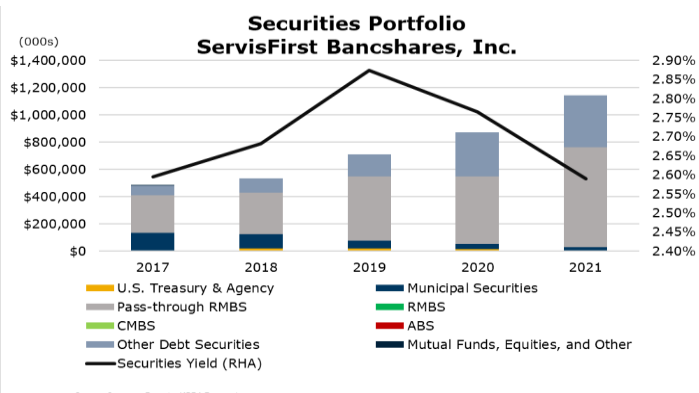
ServisFirst's management team has generally maintained prudent and consistent approach to capital management over time, commensurate with its 14% organic annual loan growth rate. As with many peers, the company's balance sheet continued to reflect the impact of excess liquidity on capital ratios at YE21. Therefore, we consider SFBS' capital protection as adequate at YE21, given the company's overall risk profile. While RWA density declined to 73% at YE21 compared to a 5-year average of ~83%, we recognize that increased allocation in liquid asset segments (cash and equivalents) contributed to that decline. The TCE was at 7.4%, while regulatory capital ratios, specifically the CET1, was at 10% at YE21. The company's capital stack, above common equity, included $64.8 million subordinated debt. SFBS raised $34.8 million in 2020 through a private placement, the proceeds of which, were used to refinance previous debentures. KBRA views ServisFirst's current capital position, and management standards as appropriate with respect to the institution's risk profile and considering the anticipated redeployment of the excess liquidity. That said, we note that further decline in current capital measures or the adoption of aggressive capital management standards could pressure the ratings as the company's business profile becomes more complex, with a comparatively larger C&D exposure. The double leverage ratio of 105% does not pose a concern. As of December 31, 2021, dividend of $0.23 per share, represented a payout ratio of ~21%, which remained conservative in our view.



Funding & Liquidity

ServisFirst's funding strategy has been focused on core deposit gathering, specifically through its C&I lending vertical and increasingly through the correspondent banking division. As of December 31, 2021, core deposits comprised 84% of the total funding mix. Additionally, the bulk of noncore funding were Fed Funds purchases and Repos (12% of funding mix), with correspondent banks. Despite its branch-light network, ServisFirst maintained a healthy liquidity position including a 5-year average loan-to-core deposit ratio of ~95%. We consider SFBS' deposit base to be durable and fairly diversified by customer. As of December 31, 2021, top 20 depositors made up less than 15% of total deposits, and many large depositors are associated with operating accounts of long-term C&I relationships. The correspondent bank network comprised ~30% of total deposits at ~$4 billion as of YE21. The vast majority of these deposits were maintained in demand deposit accounts and Fed Funds, and in money market accounts, to a lesser extent. SFBS's deposit trends for the past five years, show a solid growth in noninterest bearing deposits, representing 39% of deposits at YE21, though it should be noted that government stimulus programs boosted theses balances for the past two years.



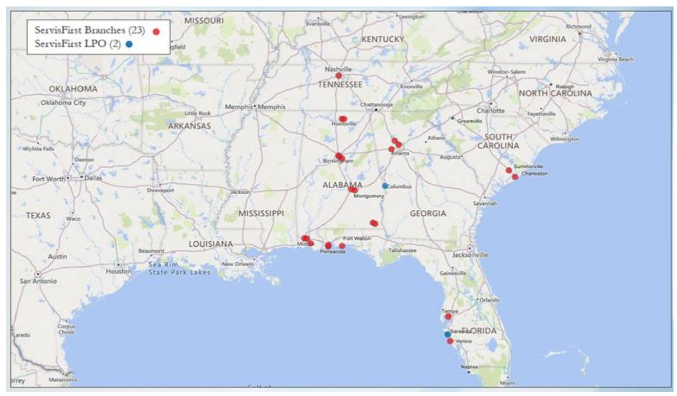


The cost of deposits (0.20% at YE21) reflected the impact of low interest rates and repricing trends, as well as larger DDA balances. Beyond deposits, ServisFirst's ample liquidity profile is highlighted by a large and growing correspondent-banking network that constitutes a readily available source of short-term funding. Partnerships are relationship driven and, thus, offer a relatively stable source of funding as well as additional strategic rationale, including the buildup of the credit card program. In addition, the bank had $961 million available in lines of credit with more than 30 institutions in 2021. The investment securities portfolio constitutes another source of accessible liquidity, though remains relatively small, representing less than 10% of total assets at December 31, 2021. Management intends to redeploy its excess liquidity through the purchase of securities. As a new strategy, the company invested in its held to maturity portfolio securities portfolio in 2021 in order to improve the yield of the securities portfolio. The $1.3 million investment portfolio was comprised 65% of available for sale securities at YE21 and appears conservative. Investments are primarily in U.S. government and sponsored agencies, mortgage-backed securities. Management's internal policy guideline in to maintain a ratio of cash and unencumbered collateral to assets above 10%, which comfortably covers debt service expense.

Key Qualitative Rating Determinants

The qualitative aspects of ServisFirst Bancshares, Inc. were assessed using a scorecard that focuses on four key factors: market strategy, risk management, liquidity management, and the operating environment. For the most part, the bank scored average for qualitative factors. 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



Source: Management Presentation

Since its formation in 2005, ServisFirst's business model focuses on traditional commercial banking, cash management, private banking, and correspondent banking services. The company targets businesses and their owners, professionals, and affluent consumers and primarily operates in urban areas of Alabama (12 branches), Florida (5 branches), Georgia (2 branches), South Carolina (1 branch), Tennessee (1 branch), and most recently in March 2022, the company opened a new branch in Piedmont that will facilitate its expansion into Charlotte, NC. Further supporting the company's organic expansion and bolstering footprint of business operations in Florida was the addition of a loan production office (LPO) in Tallahassee, Florida and the addition of four talented bankers in that market in April 2021. SFBS has captured significant share of key markets located in its home state of Alabama, as well as in targeted regions of Florida. In addition, SFBS has a sizeable correspondent banking network of approximately 350 small community banks with relationships throughout the mid and southeastern parts of the nation.

ServisFirst's $9.5 billion loan portfolio at YE21 remained largely centered in C&I and CRE verticals, with growing interest for C&D, particularly multifamily constructions and residential mortgages. The company remains largely spread-reliant (+90% of revenue) and based on management's preference for a straightforward commercial banking model, we do not anticipate the addition of nonbank business lines, or a material increase in noninterest income contribution in the near-term, though the company continues to evaluate ways to enhance fee income. The credit card program offered through its sizable correspondent banking network remains the primary contributor of fee-based revenue.

ServisFirst's management team is considered conservative and experienced, with established tenures in the banking industry. Top executives and regional CEOs have strong backgrounds and prior experience working at larger banking institutions. The President and CEO, Thomas A. Broughton, III, founded the company in 2005 after initial capital raise of $35 million. Prior to SFBS, Mr. Broughton was the President and CEO of First Commercial Bank (acquired by Synovus Financial, 1992); subsequently, he was appointed regional CEO for Synovus. Since the beginning of 2021, Rodney R. Rushing has been appointed Chief Operating Officer. Mr. Rushing joined ServisFirst in 2010 and was tasked with the development of the correspondent banking division. Prior to joining ServisFirst, Mr. Rushing career was focused on correspondent banking and audit expertise, and he served as an Executive Vice President at Compass Bank (now BBVA) during his 38-year banking career. William Foshee joined the company in 2005, and has served as EVP, Chief Financial Officer, Treasurer and Secretary of ServisFirst since 2007. Prior to joining SFBS, Mr. Foshee served as the Chief Financial Officer of Heritage Financial Holding Corporation from 2002 until it was acquired in 2005. KBRA notes that under the leadership of Mr. Broughton, SFBS has achieved high double digits organic growth since inception, while retaining profitability and maintaining strong asset quality metrics. Additionally, SFBS' historical earnings reflect steady growth and compare favorably among peers. Notably, despite reporting lower earnings during the crisis years, SFBS remained profitable through the GFC. In addition, a core strength of the company resides in its select branch network, which has proven to be efficient, focusing on the optimization of each branch location. Furthermore, the company operates a scalable and decentralized business model in which regional CEOs drive revenue. Together with these strategies, ServisFirst's expansion targets organic growth opportunities in footprint and select, southern markets with strong growth prospects and access to 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. The company focuses on organic loan growth and strategically hires top producers in new desired markets. In 2021, the company hired 17 new producers, taking advantage from market disruptions created by M&A activities. Overall, SFBS appears well positioned within its key operating markets with a clearly defined business model.

Risk Management

SFBS' risk management framework appears comprehensive with a measured risk appetite for traditional lending business lines. SFBS utilizes a centralized risk and credit platform to ensure uniformity across all businesses, which supports decentralized, regional oversight. Regional CEOs manage processes at individual regional bank locations, while adhering to corporate policies and procedures.

ServisFirst's strong credit administration is evidenced by its historically sound asset quality metrics, though the company is currently much larger with a more complex operating function, compared to its size during the great recession. Lending authority is granted to individual loan officers based on seniority. Commitments to single borrowers that exceed officers' limits require further approval from the regional CEO and/or senior management, including a regional credit officer. 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.

With respect to its contemporary scale, the company anticipates relatively small economic and regulatory impact from crossing the $10 billion threshold, given its commercial banking focus and the proactive leg work completed through recent years. ServisFirst updated its risk governance and information security officer now reports directly to the Chief Risk Officer, becoming part of the risk management function. The company's Enterprise Risk Management (ERM) and Model Risk Management programs are continuing to be developed and implemented. The company hired an internal audit manager in 2021 and is in the process of shifting from outsourcing to co-sourcing internal audit going forward. Changes in infrastructure and quality of information systems include shifting core processor from Jack Henry to Fiserv.

General risks associated with CRE lending are partially mitigated by shorter maturities and diligent 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 and monthly credit review for all watch list classified loans, including the development of aggressive action plans, while 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. SFBS maintains a small energy lending portfolio with exposure of approximately $65 million at year-end 2021. Moreover, the company's outstanding exposure to SNCs was $120 million as of February 28, 2022, most of which are deposit relationship driven.

Stress testing is conducted annually on ~30% of the loan portfolio and the results are reviewed by the Chief Credit Officer, and the Board. Meanwhile, quarterly stress tests are conducted on the balance sheet for interest rate risk and liquidity funding risk purposes, while capital is stress tested annually. These stress tests are performed by Darling Consulting Group and reviewed by the ALCO Committee. The Chief Risk Officer monitors, tracks, and reports all audit and regulatory recommendations to full remediation and validation. The Board audit committee monitors these findings, as well.

Liquidity Management

ServisFirst's liquidity risk oversight is well-developed with a systematic weekly assessment of liquidity positions. Moreover, quarterly interest rate risk and liquidity stress tests are performed by a third party and reviewed by the internal ALCO committee. The bank was highly liquid— with a ratio of liquid assets to total assets at 31.8% as of 4Q21 and possessed a detailed contingency planning program with an appropriate wholesale funding capacity, as well as comprehensive cash flow and funds availability analysis. We view the bank's extensive correspondent banking network as an additional source for liquidity. With respect to interest rate risk, the balance sheet showed a neutral to slightly liability sensitive bias at YE21. All scenarios modeled remained within established policy guidelines.

ESG Management

KBRA typically analyzes Environmental, Social, and Governance (ESG) factors through the lens of how management teams plan for and manage relevant ESG risks and opportunities. More information on KBRA's approach to ESG risk management in financial institution ratings can be found here. Over the medium-term, banks and other financial institutions will need to prioritize ESG risk management and disclosure with the likelihood of expansions in ESG-related regulation and rising investor focus on ESG issues.

Environmental Factors

Although near term climate-related risks are believed by KBRA to be well contained, we note the bank is currently in the process of introducing practices that are more sustainable and are geared toward decreasing its overall carbon footprint, among other initiatives. The bank and most of its peers do not yet estimate carbon emissions, but Scope 1 emissions are believed to be modest compared with many other types of industries. Calculating Scope 3, which primarily refers to the emissions banks finance across their portfolios, is a challenge across the sector, not only for smaller regional banks but for large multinational banks as well. Banks and other financial institutions will need to address increasing stakeholder pressure to improve disclosure of carbon and other greenhouse gas emissions, as well as prepare for the possibility of increased carbon regulation and/or carbon taxes. In common with most peers, the company's direct loan exposure to carbon-intensive industries is considered minimal relative to the total loan portfolio.

Social Factors

The bank has a strong social mission and is active in fostering economic development in its communities of operation, including small business lending and other lending, as well as other community banking services and Community Reinvestment Act (CRA) activities (ServisFirst Bank received a "Satisfactory" score for its latest CRA exam dated 01/01/2020).

Governance Factors

An ESG factor that has a meaningful impact on this rating is an effective risk management framework including conservative loan portfolio underwriting and rigorous portfolio monitoring. For supplementary information on risk management and other governance considerations including data security and cyber risk, please reference the qualitative rating determinants section beginning on page 9 notably the Risk Management section.

Operating Environment

Overall, the U.S. banking system has a strong regulatory framework. Since the 2008 financial crisis, banking institutions have adjusted to additional rules and regulations resulting from the Dodd-Frank Wall Street Reform and Consumer Protection Act and Basel III standards. Despite some easing of regulatory burden, particularly for small to mid-sized banks in recent years, regulatory standards and oversight remain strong for the U.S. banking system. The latest research on this and other topics can be found here.

External Support

Pursuant to the 2010 Dodd-Frank Act, U.S. regulators created a resolution regime with the goal of preventing a systemic crisis if a systemically important bank fails. For non-systemically important depositories such as the bank, KBRA believes that uninsured depositors could benefit from some degree of extraordinary systemic support. However, KBRA does not foresee any regulatory support being extended to creditors or investors at the bank or its BHC. As the bank operates in the U.S. market, a well-developed economy with a AAA sovereign rating, there were no adjustments for country risk. In addition, the company is publicly traded, and the rating does not incorporate external support related to its ownership structure.

Rating Approach

KBRA's ratings 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 for the bank holding company 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. KBRA's short-term ratings are derived from senior long-term bank ratings. Consistent with KBRA's typical notching practices, subordinated debt is rated one notch below senior unsecured debt.