



## ServisFirst Bancshares, Inc. Announces Results For First Quarter 2014

BIRMINGHAM, Ala., April 21, 2014 /PRNewswire/ -- ServisFirst Bancshares, Inc. today announced earnings and operating results for the first quarter of 2014.

### FIRST Quarter 2014 Highlights:

- **First quarter net income of \$11.8 million, a 27.4% increase year over year**
- **Diluted earnings per share of \$1.52, a 16.0% increase year over year**
- **Nonperforming assets to total assets of 0.53%, well below the levels experienced during 2013, and reflective of strong credit quality and financial strength**

Tom Broughton, President and CEO, said "We are pleased to have a strong start for 2014." Bud Foshee, CFO, stated "Our focus continues to be on attracting new clients to our bank and providing excellent customer service."

### FINANCIAL SUMMARY

(in Thousands except share and per share amounts)

|   | Q1 2014      | Q1 2013      | % Change |
|---|--------------|--------------|----------|
| <b>QUARTERLY OPERATING RESULTS</b>          |              |              |          |
| Net Income                                  | \$ 11,756    | \$ 9,251     | 27 %     |
| Net Income Available to Common Stockholders | \$ 11,656    | \$ 9,151     | 27 %     |
| Diluted Earnings Per Share                  | \$ 1.52      | \$ 1.31      | 16 %     |
| Return on Average Assets                    | 1.35 %       | 1.30 %       |          |
| Return on Average Common Equity             | 17.83 %      | 18.07 %      |          |
| Diluted Shares Outstanding                  | 7,661,890    | 7,076,505    |          |
| <b>BALANCE SHEET</b>                        |              |              |          |
| Total Assets                                | \$ 3,572,914 | \$ 2,861,758 | 25 %     |
| Loans                                       | 2,937,797    | 2,462,154    | 19 %     |
| Noninterest Bearing Demand Deposits         | 662,834      | 507,647      | 31 %     |
| Total Deposits                              | 3,031,041    | 2,423,534    | 25 %     |
| Stockholders' Equity                        | 312,283      | 257,547      | 21 %     |

### DETAILED FINANCIALS

ServisFirst Bancshares, Inc. reported net income of \$11.8 million and net income available to common stockholders of \$11.7 million for the quarter ended March 31, 2014, compared to net income of \$9.3 million and net income available to common stockholders of \$9.2 million for the same quarter in 2013. Basic and diluted earnings per common share were \$1.58 and \$1.52, respectively, for the first quarter of 2014, compared to \$1.44 and \$1.31, respectively, for the first quarter of 2013.

Return on average assets was 1.35% and return on average equity was 15.49% for the first quarter of 2014, compared to 1.30% and 15.12%, respectively, for the first quarter of 2013.

Net interest income was \$30.8 million for the first quarter of 2014, compared to \$30.1 million for the fourth quarter of 2013 and \$25.9 million for the first quarter of 2013. The net interest margin in the first quarter of 2014 was 3.80%, a 13 basis point increase from the fourth quarter of 2013 and 4 basis point decrease from the first quarter of 2013. The increase in net interest margin on a linked quarter basis is attributable to a \$146.0 million increase in average loans outstanding, resulting in a positive mix change in our balance sheet. Our overall cost of funds was down 2 basis points to 0.55% and average equity was higher by approximately \$18.0 million.

Average loans for the first quarter of 2014 were \$2.91 billion, an increase of \$146.0 million, or 5%, over average loans of \$2.76 billion for the fourth quarter of 2013, and an increase of \$520.0 million, or 18%, over average loans of \$2.39 billion for the first quarter of

2013.

Average total deposits for the first quarter of 2014 were flat at \$2.97 billion when compared to the fourth quarter of 2013, and increased \$544.0 million, or 22%, over average deposits of \$2.43 billion for the first quarter of 2013.

In the first quarter of 2014, we experienced a decrease in nonperforming assets, led by a decrease in other real estate owned. We sold 16 properties during the first quarter of 2014 for total proceeds of \$2.9 million. Net credit charge-offs, while higher in the first quarter of 2014 than in the fourth quarter of 2013, remain well below levels we experienced in the first three quarters of 2013. We recorded a \$2.3 million provision for loan losses in the first quarter of 2014 compared to \$2.4 million in the fourth quarter of 2013 and \$4.3 million in the first quarter of 2013. Growth in loans and improving credit quality has resulted in our loan loss reserve as a percent of loans remaining relatively stable, increasing one basis point to 1.08% at March 31, 2014 as compared to 1.07% at December 31, 2013 and two basis points as compared to 1.06% at September 30, 2013. In management's opinion, the reserve is adequate and was determined by consistent application of ServisFirst Bank's methodology for calculating its reserve for loan losses.

Noninterest income decreased \$622,000 during the first quarter of 2014, or 22%, compared to the first quarter of 2013 primarily the result of a \$696,000 decrease in mortgage banking revenue. We also had no securities sales in the first quarter of 2014 compared to \$123,000 in securities gains during the first quarter of 2013. Deposit service charges increased by \$106,000, or 14%, resulting from higher balances and an increase in the number of accounts and transactions. Increases in the cash surrender value of our life insurance contracts resulted from added investments in contracts during the third quarter of 2013.

Noninterest expense for the first quarter of 2014 increased \$2.9 million, or 27%, to \$13.7 million from \$10.8 million in the first quarter of 2013. This increase consists primarily of a \$1.3 million, or 23%, increase in salaries and employee benefits related to new hires to fill positions in our newer markets of Mobile, Alabama and Nashville, Tennessee, a \$300,000 increase in equipment and occupancy expense in these markets attributable to such expansion and a non-routine expense of \$703,000 resulting from a correction of our accounting for vested stock options previously granted to members of our advisory boards in our Dothan, Huntsville and Montgomery markets. We historically accounted for these options under the provisions of FASB ASC 718-10, Compensation – Stock Compensation, and now have determined to recognize as an expense the fair value of these vested options in accordance with the provisions of the FASB ASC Topic 505-50, Equity-Based Payments to Non-Employees. The change in accounting treatment is a non-cash item and does not impact the Company's operating activities or cash from operations.

#### **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, Florida 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](http://www.sec.gov) or at <http://servisfirstbancshares.investorroom.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," "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: 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; 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 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 <http://servisfirstbancshares.investorroom.com/> or by calling (205) 949-0302.

**Contact:** ServisFirst Bank  
Bud Foshee (205) 949-0307

**SELECTED FINANCIAL HIGHLIGHTS (UNAUDITED)**

(In thousands except per share data)

|   | 1st Quarter 2014 | 4th Quarter 2013 | 3rd Quarter 2013 | 2nd Quarter |
|---|------------------|------------------|------------------|-------------|
| <b>CONSOLIDATED STATEMENT OF INCOME</b>             |                  |                  |                  |             |
| Interest income                                     | \$ 34,279        | \$ 33,725        | \$ 32,499        | \$ 30,69    |
| Interest expense                                    | 3,432            | 3,610            | 3,534            | 3,21        |
| Net interest income                                 | 30,847           | 30,115           | 28,965           | 27,48       |
| Provision for loan losses                           | 2,314            | 2,356            | 3,034            | 3,33        |
| Net interest income after provision for loan losses | 28,533           | 27,759           | 25,931           | 24,14       |
| Noninterest income                                  | 2,175            | 2,371            | 2,269            | 2,57        |
| Noninterest expense                                 | 13,723           | 12,298           | 12,067           | 12,37       |
| Income before income taxes                          | 16,985           | 17,832           | 16,133           | 14,34       |
| Provision for income taxes                          | 5,229            | 5,964            | 5,321            | 4,66        |
| Net income  | 11,756           | 11,868           | 10,812           | 9,68        |
| Preferred stock dividends                           | 100              | 116              | 100              | 10          |
| Net income available to common stockholders         | \$ 11,656        | \$ 11,752        | \$ 10,712        | \$ 9,58     |
| Earnings per share - basic                          | \$ 1.58          | \$ 1.64          | \$ 1.53          | \$ 1.3      |
| Earnings per share - diluted                        | \$ 1.52          | \$ 1.58          | \$ 1.46          | \$ 1.3      |
| Average diluted shares outstanding                  | 7,661,890        | 7,453,117        | 7,321,911        | 7,218,44    |

**CONSOLIDATED BALANCE SHEET DATA**

|                                   |              |              |              |             |
|-----------------------------------|--------------|--------------|--------------|-------------|
| Total assets                      | \$ 3,572,914 | \$ 3,519,417 | \$ 3,396,153 | \$ 3,140,62 |
| Loans                             | 2,937,797    | 2,858,868    | 2,731,973    | 2,590,19    |
| Debt securities                   | 309,475      | 298,494      | 289,515      | 261,57      |
| Demand deposits                   | 662,834      | 650,456      | 635,153      | 562,19      |
| Total deposits                    | 3,031,041    | 3,019,642    | 2,919,217    | 2,674,97    |
| Borrowings                        | 19,949       | 19,940       | 19,932       | 19,92       |
| Stockholders' equity              | \$ 312,283   | \$ 297,192   | \$ 276,300   | \$ 265,18   |
| Shares outstanding                | 7,524,812    | 7,350,012    | 7,076,347    | 6,974,31    |
| Book value per share              | \$ 36.19     | \$ 35.00     | \$ 33.40     | \$ 32.2     |
| Tangible book value per share (1) | \$ 36.19     | \$ 35.00     | \$ 33.40     | \$ 32.2     |

**SELECTED FINANCIAL RATIOS**

|   |         |         |         |      |
|---|---------|---------|---------|------|
| Net interest margin                                 | 3.80 %  | 3.67 %  | 3.71 %  | 3.9  |
| Return on average assets                            | 1.35 %  | 1.35 %  | 1.29 %  | 1.2  |
| Return on average common equity                     | 17.83 % | 18.86 % | 18.47 % | 17.2 |
| Efficiency ratio                                    | 41.56 % | 37.86 % | 38.63 % | 41.1 |
| Noninterest expense to average earning assets       | 1.66 %  | 1.48 %  | 1.65 %  | 1.7  |
| Tangible common equity to total tangible assets (1) | 7.62 %  | 7.31 %  | 6.96 %  | 7.1  |

(1) Non-GAAP financial measures. "Tangible book value per share" and "tangible common equity to total tangible assets" are not measures of performance recognized by generally accepted accounting principles in the United States, or GAAP; However, because the Company does not have a reconciliation of these non-GAAP financial measures.

**CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

(Dollars in thousands)

|   | March 31, 2014 | March 31, 2013 | %<br>Change |
|---|----------------|----------------|-------------|
| <b>ASSETS</b>   |                |                |             |
| Cash and due from banks   | \$ 77,542      | \$ 33,970      | 128 %       |
| Interest-bearing balances due from depository institutions  | 134,415        | 11,914         | 1,028 %     |
| Federal funds sold  | 10,535         | 1,545          | 582 %       |
| Cash and cash equivalents   | 222,492        | 47,431         | 369 %       |
| Available for sale debt securities, at fair value   | 277,501        | 229,434        | 21 %        |
| Held to maturity debt securities (fair value of \$33,782 and \$33,692 at March 31, 2014 and 2013, respectively) | 31,974         | 32,669         | (2) %       |

|  |                     |                     |        |
|--|---------------------|---------------------|--------|
| Restricted equity securities   | 3,738               | 3,738               | - %    |
| Mortgage loans held for sale   | 6,704               | 15,804              | (58) % |
| Loans  | 2,937,797           | 2,462,154           | 19 %   |
| Less allowance for loan losses   | (31,728)            | (27,679)            | 15 %   |
| Loans, net   | 2,906,069           | 2,434,475           | 19 %   |
| Premises and equipment, net  | 8,015               | 8,845               | (9) %  |
| Accrued interest and dividends receivable  | 10,370              | 9,154               | 13 %   |
| Deferred tax asset, net  | 11,935              | 8,384               | 42 %   |
| Other real estate owned and repossessed assets   | 9,752               | 8,076               | 21 %   |
| Bank owned life insurance contracts  | 69,544              | 57,485              | 21 %   |
| Other assets   | 14,820              | 6,391               | 132 %  |
| Total assets   | <u>\$ 3,572,914</u> | <u>\$ 2,861,884</u> | 25 %   |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |                     |                     |        |
| Liabilities:   |                     |                     |        |
| Deposits:  |                     |                     |        |
| Noninterest-bearing  | \$ 662,834          | \$ 507,647          | 31 %   |
| Interest-bearing   | 2,368,207           | 1,915,887           | 24 %   |
| Total deposits   | 3,031,041           | 2,423,534           | 25 %   |
| Federal funds purchased  | 195,762             | 153,930             | 27 %   |
| Other borrowings   | 19,949              | 19,916              | 0 %    |
| Accrued interest payable   | 2,121               | 1,154               | 84 %   |
| Other liabilities  | 11,758              | 5,677               | 107 %  |
| Total liabilities  | 3,260,631           | 2,604,211           | 25 %   |
| Stockholders' equity:  |                     |                     |        |
| Preferred stock, Series A Senior Non-Cumulative Perpetual, par value \$0.001   |                     |                     |        |
| (liquidation preference \$1,000), net of discount; 40,000 shares authorized, 40,000 shares issued and outstanding at March 31, 2014 and 2013   | 39,958              | 39,958              | - %    |
| Preferred stock, par value \$0.001 per share; 1,000,000 authorized and 7,524,812 shares issued and outstanding at March 31, 2014 and 6,897,812 shares issued and outstanding at March 31, 2013 | 8                   | 7                   | 14 %   |
| Additional paid-in capital   | 127,218             | 109,022             | 17 %   |
| Retained earnings  | 140,538             | 101,631             | 38 %   |
| Accumulated other comprehensive income   | 4,309               | 6,929               | (38) % |
| Noncontrolling interest  | 252                 | 126                 | 100 %  |
| Total stockholders' equity   | 312,283             | 257,673             | 21 %   |
| Total liabilities and stockholders' equity   | <u>\$ 3,572,914</u> | <u>\$ 2,861,884</u> | 25 %   |

## CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(In thousands except per share data)

|   | <b>Three Months Ended March 31,</b> |               |
|---|-------------------------------------|---------------|
|   | <b>2014</b>                         | <b>2013</b>   |
| Interest income:                                    |                                     |               |
| Interest and fees on loans                          | \$ 32,250                           | \$ 27,318     |
| Taxable securities                                  | 1,097                               | 948           |
| Nontaxable securities                               | 871                                 | 832           |
| Federal funds sold                                  | 42                                  | 16            |
| Other interest and dividends                        | 19                                  | 51            |
| Total interest income                               | <u>34,279</u>                       | <u>29,165</u> |
| Interest expense:                                   |                                     |               |
| Deposits  | 3,014                               | 2,713         |
| Borrowed funds                                      | 418                                 | 551           |
| Total interest expense                              | <u>3,432</u>                        | <u>3,264</u>  |
| Net interest income                                 | 30,847                              | 25,901        |
| Provision for loan losses                           | 2,314                               | 4,284         |
| Net interest income after provision for loan losses | <u>28,533</u>                       | <u>21,617</u> |
| Noninterest income:                                 |                                     |               |
| Service charges on deposit accounts                 | 868                                 | 762           |
| Mortgage banking                                    | 284                                 | 980           |
| Securities gains                                    | -                                   | 123           |
| Increase in cash surrender value life insurance     | 536                                 | 470           |
| Other operating income                              | 487                                 | 462           |
| Total noninterest income                            | <u>2,175</u>                        | <u>2,797</u>  |

|   |           |          |
|---|-----------|----------|
| Noninterest expense:                        |           |          |
| Salaries and employee benefits              | 7,697     | 5,679    |
| Equipment and occupancy expense             | 1,366     | 1,111    |
| Professional services                       | 516       | 461      |
| FDIC and other regulatory assessments       | 517       | 432      |
| Other real estate owned expense             | 487       | 390      |
| Other operating expenses                    | 3,139     | 2,679    |
| Total noninterest expenses                  | 13,723    | 10,752   |
| Income before income taxes                  | 16,985    | 13,662   |
| Provision for income taxes                  | 5,229     | 4,411    |
| Net income                                  | 11,756    | 9,251    |
| Dividends on preferred stock                | 100       | 100      |
| Net income available to common stockholders | \$ 11,656 | \$ 9,151 |
| Basic earnings per common share             | \$ 1.58   | \$ 1.44  |
| Diluted earnings per common share           | \$ 1.52   | \$ 1.31  |

### SUMMARY OF LOAN LOSS EXPERIENCE

(Dollars in thousands)

|  | 1st Quarter<br>2014 | 4th Quarter<br>2013 | 3rd Quarter<br>2013 | 2nd Quarter<br>2013 | 1st Quarter<br>2013 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| Reserve for loan losses:                         |                     |                     |                     |                     |                     |
| Beginning balance                                | \$ 30,663           | \$ 28,927           | \$ 28,757           | \$ 27,679           | \$ 26,258           |
| Loans charged off:                               |                     |                     |                     |                     |                     |
| Commercial financial and agricultural            | 1,222               | 95                  | 849                 | 101                 | 887                 |
| Real estate - construction                       | 23                  | 557                 | 394                 | 1,888               | 1,990               |
| Real estate - mortgage:                          | 4                   | 25                  | 1,746               | 270                 | -                   |
| Consumer   | 58                  | 38                  | 42                  | 129                 | 1                   |
| Total charge off                                 | 1,307               | 715                 | 3,031               | 2,388               | 2,878               |
| Recoveries:                                      |                     |                     |                     |                     |                     |
| Commercial financial and agricultural            | 45                  | 16                  | 13                  | 31                  | 6                   |
| Real estate - construction                       | 8                   | 70                  | 124                 | 95                  | 7                   |
| Real estate - mortgage:                          | 4                   | 9                   | 24                  | 3                   | -                   |
| Consumer   | 1                   | -                   | 6                   | 3                   | 2                   |
| Total recoveries                                 | 58                  | 95                  | 167                 | 132                 | 15                  |
| Net charge-off                                   | 1,249               | 620                 | 2,864               | 2,256               | 2,863               |
| Provision for loan losses                        | 2,314               | 2,356               | 3,034               | 3,334               | 4,284               |
| Ending balance                                   | \$ 31,728           | \$ 30,663           | \$ 28,927           | \$ 28,757           | \$ 27,679           |
| Reserve for loan losses to total loans           | 1.08 %              | 1.07 %              | 1.06 %              | 1.11 %              | 1.12                |
| Reserve for loan losses to total average loans   | 1.09 %              | 1.11 %              | 1.09 %              | 1.14 %              | 1.16                |
| Net charge-offs to total average loans           | 0.17 %              | 0.09 %              | 0.43 %              | 0.36 %              | 0.49                |
| Provision for loan losses to total average loans | 0.32 %              | 0.34 %              | 0.46 %              | 0.53 %              | 0.73                |
| Nonperforming assets:                            |                     |                     |                     |                     |                     |
| Nonaccrual loans                                 | \$ 9,084            | \$ 9,621            | \$ 9,396            | \$ 14,765           | \$ 24,231           |
| Loans 90+ days past due and accruing             | 110                 | 115                 | -                   | 259                 | 33                  |
| Other real estate owned and repossessed assets   | 9,824               | 12,861              | 14,258              | 9,232               | 8,112               |
| Total  | \$ 19,018           | \$ 22,597           | \$ 23,654           | \$ 24,256           | \$ 32,376           |
| Nonperforming loans to total loans               | 0.31 %              | 0.35 %              | 0.34 %              | 0.58 %              | 0.99                |
| Nonperforming assets to total assets             | 0.53 %              | 0.64 %              | 0.70 %              | 0.77 %              | 1.13                |
| Nonperforming assets to earning assets           | 0.55 %              | 0.66 %              | 0.72 %              | 0.79 %              | 1.15                |
| Reserve for loan losses to nonaccrual loans      | 349.27 %            | 318.71 %            | 307.87 %            | 194.76 %            | 114.23              |
| Restructured accruing loans                      | \$ 9,411            | \$ 9,689            | \$ 6,233            | \$ 9,406            | \$ 9,475            |
| Restructured accruing loans to total loans       | 0.32 %              | 0.35 %              | 0.23 %              | 0.36 %              | 0.38                |

**CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)**

(In thousands except per share data)

|   | 1st<br>Quarter<br>2014 | 4th<br>Quarter<br>2013 | 3rd<br>Quarter<br>2013 | 2nd Quarter<br>2013 | 1st<br>Quarter<br>2013 |
|---|------------------------|------------------------|------------------------|---------------------|------------------------|
| <b>Interest income:</b>                             |                        |                        |                        |                     |                        |
| Interest and fees on loans                          | \$ 32,250              | \$ 31,618              | \$ 30,475              | \$ 28,874           | \$ 27,318              |
| Taxable securities                                  | 1,097                  | 1,052                  | 980                    | 908                 | 948                    |
| Nontaxable securities                               | 871                    | 870                    | 858                    | 847                 | 832                    |
| Federal funds sold                                  | (64)                   | 51                     | 44                     | 17                  | 16                     |
| Other interest and dividends                        | 125                    | 134                    | 142                    | 46                  | 51                     |
| Total interest income                               | 34,279                 | 33,725                 | 32,499                 | 30,692              | 29,165                 |
| Deposits  | 3,014                  | 3,202                  | 3,131                  | 2,784               | 2,713                  |
| Borrowed funds                                      | 418                    | 408                    | 403                    | 427                 | 551                    |
| Total interest expense                              | 3,432                  | 3,610                  | 3,534                  | 3,211               | 3,264                  |
| Net interest income                                 | 30,847                 | 30,115                 | 28,965                 | 27,481              | 25,901                 |
| Provision for loan losses                           | 2,314                  | 2,356                  | 3,034                  | 3,334               | 4,284                  |
| Net interest income after provision for loan losses | 28,533                 | 27,759                 | 25,931                 | 24,147              | 21,617                 |
| <b>Noninterest income:</b>                          |                        |                        |                        |                     |                        |
| Service charges on deposit accounts                 | 868                    | 837                    | 823                    | 806                 | 762                    |
| Mortgage banking                                    | 284                    | 344                    | 402                    | 787                 | 980                    |
| Securities gains                                    | -                      | -                      | -                      | 8                   | 123                    |
| Increase in cash surrender value life insurance     | 536                    | 548                    | 491                    | 485                 | 470                    |
| Other operating income                              | 487                    | 642                    | 553                    | 487                 | 462                    |
| Total noninterest income                            | 2,175                  | 2,371                  | 2,269                  | 2,573               | 2,797                  |
| Salaries and employee benefits                      | 7,697                  | 6,541                  | 7,048                  | 7,056               | 5,679                  |
| Equipment and occupancy expense                     | 1,366                  | 1,350                  | 1,272                  | 1,469               | 1,111                  |
| Professional services                               | 516                    | 480                    | 443                    | 425                 | 461                    |
| FDIC and other regulatory assessments               | 517                    | 536                    | 405                    | 426                 | 432                    |
| Other real estate owned expense                     | 487                    | 475                    | 357                    | 204                 | 390                    |
| Other operating expenses                            | 3,139                  | 2,916                  | 2,542                  | 2,792               | 2,679                  |
| Total noninterest expenses                          | 13,723                 | 12,298                 | 12,067                 | 12,372              | 10,752                 |
| Income before income taxes                          | 16,985                 | 17,832                 | 16,133                 | 14,348              | 13,662                 |
| Provision for income taxes                          | 5,229                  | 5,964                  | 5,321                  | 4,662               | 4,411                  |
| Net income  | 11,756                 | 11,868                 | 10,812                 | 9,686               | 9,251                  |
| Dividends on preferred stock                        | 100                    | 116                    | 100                    | 100                 | 100                    |
| Net income available to common stockholders         | \$ 11,656              | \$ 11,752              | \$ 10,712              | \$ 9,586            | \$ 9,151               |
| Basic earnings per common share                     | \$ 1.58                | \$ 1.64                | \$ 1.53                | \$ 1.39             | \$ 1.44                |
| Diluted earnings per common share                   | \$ 1.52                | \$ 1.58                | \$ 1.46                | \$ 1.34             | \$ 1.31                |

**AVERAGE BALANCE SHEETS AND NET INTEREST ANALYSIS - UNAUDITED**

ON A FULLY TAXABLE-EQUIVALENT BASIS

(Dollars in thousands)

|                                      | 1st Quarter 2014   |                 | 4th Quarter 2013   |                 | 3rd Quarter 2013   |               |
|--------------------------------------|--------------------|-----------------|--------------------|-----------------|--------------------|---------------|
|                                      | Average<br>Balance | Yield /<br>Rate | Average<br>Balance | Yield /<br>Rate | Average<br>Balance | Yield<br>Rate |
| <b>Assets:</b>                       |                    |                 |                    |                 |                    |               |
| <b>Interest-earning assets:</b>      |                    |                 |                    |                 |                    |               |
| Loans, net of unearned income (1)    |                    |                 |                    |                 |                    |               |
| Taxable                              | \$ 2,892,433       | 4.52 %          | \$ 2,754,955       | 4.54 %          | \$ 2,640,444       | 4.56          |
| Tax-exempt (2)                       | 14,550             | 3.34            | 5,669              | 4.34            | 2,483              | 5.91          |
| Mortgage loans held for sale         | 4,496              | 2.80            | 5,956              | 3.66            | 12,531             | 2.66          |
| Debt securities:                     |                    |                 |                    |                 |                    |               |
| Taxable                              | 174,842            | 2.54            | 166,027            | 2.49            | 152,135            | 2.56          |
| Tax-exempt (2)                       | 122,686            | 4.13            | 120,161            | 4.11            | 118,001            | 4.13          |
| Total securities (3)                 | 297,528            | 3.20            | 286,188            | 3.17            | 270,136            | 3.24          |
| Federal funds sold                   | 54,895             | 0.31            | 68,710             | 0.25            | 62,192             | 0.28          |
| Restricted equity securities         | 3,738              | -               | 3,738              | 2.55            | 3,738              | 2.65          |
| Interest-bearing balances with banks | 82,279             | 0.09            | 173,521            | 0.29            | 161,169            | 0.29          |
| Total interest-earning assets        | 3,349,919          | 4.21 %          | 3,298,737          | 4.11 %          | 3,152,693          | 4.14          |

Non-interest-earning assets:

|  |                     |  |                     |  |                     |
|--|---------------------|--|---------------------|--|---------------------|
| Cash and due from banks  | 56,082              |  | 53,062              |  | 45,314              |
| Net premises and equipment   | 8,724               |  | 8,944               |  | 9,052               |
| Allowance for loan losses,<br>accrued interest and<br>other assets | 85,532              |  | 98,586              |  | 76,477              |
| Total assets   | <u>\$ 3,500,257</u> |  | <u>\$ 3,459,329</u> |  | <u>\$ 3,283,536</u> |

**Interest-bearing liabilities:**

|                                    |                  |               |                  |               |                  |             |
|------------------------------------|------------------|---------------|------------------|---------------|------------------|-------------|
| Interest-bearing deposits:         |                  |               |                  |               |                  |             |
| Checking                           | \$ 478,678       | 0.27 %        | \$ 472,751       | 0.27 %        | \$ 432,453       | 0.28        |
| Savings                            | 25,081           | 0.27          | 21,755           | 0.27          | 21,602           | 0.29        |
| Money market                       | 1,416,645        | 0.45          | 1,420,771        | 0.47          | 1,356,197        | 0.47        |
| Time deposits                      | 412,622          | 1.10          | 412,254          | 1.13          | 408,600          | 1.16        |
| Federal funds purchased            | 195,967          | 0.28          | 176,967          | 0.28          | 168,121          | 0.28        |
| Other borrowings                   | 19,945           | 5.75          | 19,936           | 5.63          | 19,928           | 5.63        |
| Total interest-bearing liabilities | <u>2,548,938</u> | <u>0.55 %</u> | <u>2,524,434</u> | <u>0.57 %</u> | <u>2,406,901</u> | <u>0.58</u> |

Non-interest-bearing liabilities:

|   |         |  |         |  |         |  |
|---|---------|--|---------|--|---------|--|
| Non-interest-bearing                              |         |  |         |  |         |  |
| checking  | 641,450 |  | 640,476 |  | 599,379 |  |
| Other liabilities                                 | 4,734   |  | 7,226   |  | 7,250   |  |
| Stockholders' equity                              | 300,512 |  | 282,549 |  | 266,427 |  |
| Unrealized gains on securities and<br>derivatives | 4,634   |  | 4,644   |  | 3,580   |  |

|   |                     |  |                     |  |                     |  |
|---|---------------------|--|---------------------|--|---------------------|--|
| Total liabilities and<br>stockholders' equity | <u>\$ 3,500,257</u> |  | <u>\$ 3,459,329</u> |  | <u>\$ 3,283,536</u> |  |
|---|---------------------|--|---------------------|--|---------------------|--|

|                     |  |        |  |        |  |      |
|---------------------|--|--------|--|--------|--|------|
| Net interest spread |  | 3.67 % |  | 3.54 % |  | 3.56 |
| Net interest margin |  | 3.80 % |  | 3.67 % |  | 3.78 |

- (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 35%.
- (3) Unrealized gains on available-for-sale debt securities are excluded from the yield calculation.

SOURCE ServisFirst Bancshares, Inc.